



FINANCIAL TIMES

World News Business Summary

Rebel army units still fighting in Philippines

Fierce fighting continued in the Philippines last night between government forces and rebel army units...

Ferruzzi to share control of Italian insurer

RAUL Gardini's Ferruzzi Group has agreed to share control of Ita Fondiaria, top Italian insurer...

Crisis of confidence could create power vacuum • Bonn says move was unavoidable

E German leadership resigns

By David Marsh in Bonn

EAST GERMANY last night faced the threat of a power vacuum after Mr Egon Krenz resigned as Party chief...



former economic planning chief, who was a leading associate of Mr Honecker.

Mr Harry Tisch, the former trade union leader, as well as three other officials from the Honecker regime, were also arrested.

Protest gathers again in Prague

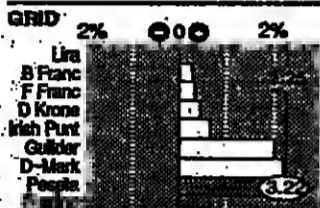
By Leslie Collitt in Prague

THE new Government in Czechoslovakia was sharply rejected by the Opposition yesterday, which called for a mass demonstration in Prague today to bring it down.

Singh pledges aid

V P Singh, in his first address as India's new Prime Minister, promised to devote half of government resources to villages...

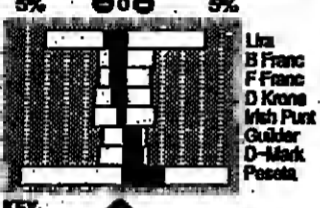
EMS December 1, 1989



Soviet environment

A decree to curb damage to the Soviet environment rules that all future projects must be vetted by ecological experts before receiving state financing.

ECU DIVERGENCE



Bush hails 'deeper understanding'

By Quentin Peel and Peter Riddell in Valletta

THE US and Soviet leaders yesterday paved the way for wide-ranging arms control agreements to be completed next year and closer economic co-operation after a chaotic shipboard summit which only just survived two days of Mediterranean winter gales.

Summit paves way for arms cuts next year

By Robert Mauthner in Valletta

THE GODS, it seems, did not want what President George Bush called his "non-summit summit" with President Mikhail Gorbachev to be held on warships in a Malta harbour.

Landmark talks weather the storm

By Robert Mauthner in Valletta

THE GODS, it seems, did not want what President George Bush called his "non-summit summit" with President Mikhail Gorbachev to be held on warships in a Malta harbour.

Brussels explosion

Twelve people were killed and three seriously injured at a Brussels shooting range when ammunition exploded in a cellar.

Syria boosts troops

Syria boosted its forces facing Lebanon's Christian enclave as mediation efforts stalled.

Leaders promise greater economic co-operation

By Robert Mauthner in Valletta

THE US and Soviet leaders yesterday paved the way for wide-ranging arms control agreements to be completed next year and closer economic co-operation after a chaotic shipboard summit which only just survived two days of Mediterranean winter gales.

Thatcher campaign

The campaign to re-elect Mrs Margaret Thatcher as British Prime Minister stepped up as the Conservative Party prepared to vote in its first contested leadership election since 1975.

Azeris reject ruling

The Government of the Soviet republic of Azerbaijan has said it will reject part of a Kremlin ruling altering the status of the disputed territory of Nagorno-Karabakh.

Arab girl shot

The Israeli army moved to purge the old town of Nablis, reportedly killing an 11-year-old girl and arresting many other Palestinians and seizing weapons.

Bhopal arrests

About 300 survivors of the Bhopal gas disaster were arrested when they marched to the closed-down Union Carbide factory on the fifth anniversary of the world's worst industrial accident.

Taiwan results

Taiwan's main political opposition, the Democratic Progressive Party, made significant gains in the country's first free elections.

Sri Lanka killings

At least 17 government soldiers were killed when members of an outlawed Tamil army group ambushed their vehicle in northern Vavuniya district.

Morocco referendum

Nearly 100 per cent of Moroccan voters have approved a referendum delaying municipal elections until after a UN-sponsored vote of the people deciding the allegiance of the Western Sahara.

Chess solution

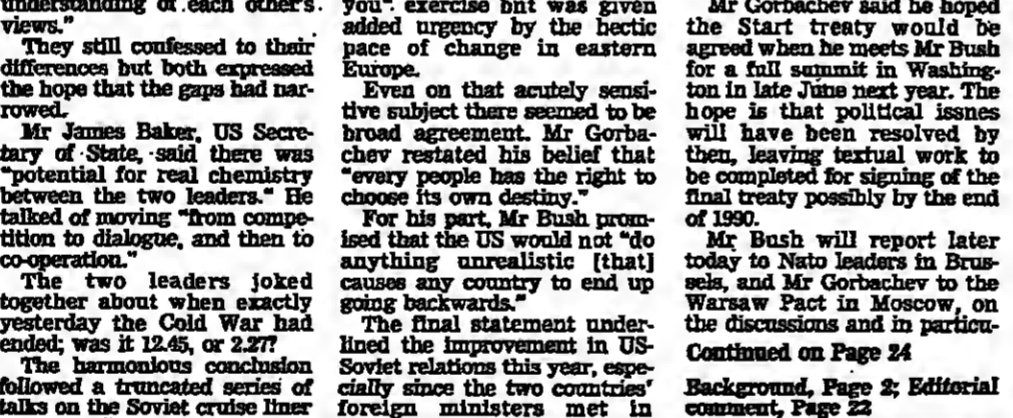
Due to technical problems, the solution to the FT's Chess Problem No.800 did not appear in some issues of Saturday's American Edition.

Summit smiles

Summit smiles: Presidents Bush (left) and Gorbachev on the Maxim Gorky yesterday

Contents

THE MONDAY INTERVIEW West German novelist Günter Grass has two pressing concerns as a writer and a human being: the future of Eastern Europe and the environment. Events in the East have given him new hope. Page 40



Summit smiles: Presidents Bush (left) and Gorbachev on the Maxim Gorky yesterday

Contents

THE MONDAY INTERVIEW West German novelist Günter Grass has two pressing concerns as a writer and a human being: the future of Eastern Europe and the environment. Events in the East have given him new hope. Page 40

EC transport policy

Commission chooses the fast-track approach Page 6 Management: CMB's pioneering venture in the desert Page 13 Thailand Survey Page 15-19 Editorial Comment: A useful exercise; defence against hacking Page 22 Exceptional events, exceptional answers: Gianni De Michelis's vision of Europe Page 23 Less An air of calm in Tokyo; property accounting; UK sectors; water Page 24 Japanese Industry Survey Section III

Overseas Page 2-6 Crossword Page 36 Companies Page 25-28 Currencies Page 36 Lombard Page 26 Editorial Comment Page 13 UK Gifts Page 26 International bonds Page 22 Monday Page 40 US Bonds Page 26 Appointments Page 12 Int'l. Capital Markets Page 28 Arts-Reviews Page 21 Int'l. Letters Page 28 World Guide Page 21

Welcome to all multinationals new to this country. (You're also welcome to use our tax capacity.) Even for multinationals, the cost of setting up a major company in the U.K. is sobering. Acquiring the necessary factories, plant and equipment can mean vast capital expenditure. All prior to profits being made. And hence before the benefit of a substantial tax capacity has been established. So will you have to write off writing down allowances? Not if you use our tax capacity. (Courtesy of The Royal Bank of Scotland Group profits, it's more than adequate to fund your acquisition programme.) Add to this our two decades' experience and commitment to the policy of making the lease fit the business need (not the other way round), and we think you've every reason to be talking to us. While we fulfil an all important task. Listening. So if your company is new to this country (or for that matter simply a business requiring to finance assets of £1m or more) speak to Tom Carr at our head office on 0242 224455 or Bill Lowe at our London office on 01-623 4356. You can expect several things: advice that costs nothing, help towards building a sound financial base and of course a warm welcome. RoyScot Corporate Leasing IT'S OUR BUSINESS TO HELP YOUR BUSINESS GROW. Royal Bank Leasing Limited. Registered in Scotland No. 58013. A member of The Royal Bank of Scotland Group.

THE MALTA SUMMIT

US LEADER APPLAUDS 'NON-SUMMIT' Bush and Gorbachev clear way for arms agreements

By Peter Riddell, US Editor, in Valletta

PRESIDENT George Bush yesterday joked at the end of his unprecedented joint press conference with President Mikhail Gorbachev that he could not have hoped to achieve a better result from a non-summit summit.

For all the near-fiasco of Saturday's storm-interrupted discussions and the abbreviated talks, Mr Bush could claim that his idea of a relatively informal and unstructured session with Mr Gorbachev had worked.

As expected, there were no specific decisions, the way has been cleared for a series of arms control agreements at the fully-fledged US/Soviet summit in Washington in the second half of June next year, as well as for increased economic co-operation.

It has been a typical George Bush exercise - carefully prepared after lengthy consultation with both US allies and Soviet experts in the US. It is all part of his incremental style of diplomacy, modest - what he terms "prudent" - advances, rather than dramatic leaps forward.

Of the 16 points carefully looked to the US press late on

Saturday to distract attention from the storm, only one had any real novelty.

This was the suggestion that the US and the Soviet Union jointly support an application by Berlin to host the Olympic Games in 2004.

The other points - the date of the next full summit, economic co-operation, trade and arms control etc - were all largely predictable developments of existing trends.

There is nothing wrong with this. Greater predictability and certainty in US policy has been seen by European politicians as a welcome contrast with the conduct of some recent US administrations.

More generally, both leaders claimed to have gained a deeper understanding of each other's views. There was no attempt to disguise differences - for instance about bringing naval forces within the scope of arms control (backed by the Soviet Union, but opposed by the US).

Similarly, if there was no agreement over Central America, there was, at least, no recriminations over the supply of arms and an acceptance of "a political solution".

Behind the grand claims of Mr Bush about being on the "threshold of a brand new era of US/Soviet relations," the two leaders appeared to be on the same wavelength - not least in stressing the continuing role which co-operation between the two countries can still play in securing the stability of Europe.

Mr Bush and his advisers have travelled a long way this year in their view of Soviet behaviour.

There was no surprise therefore when the US President talked of the "enormous support and respect" in America about the way Mr Gorbachev has advocated peaceful change in Europe.

According to US officials, Mr Bush will be going home confident he can work with Mr Gorbachev, as well as strengthened against critics who claim his policy towards the Kremlin lacks vision.

"You get the feeling he really wants to work with us," Mr Bush said about the Soviet leader.

A US official said of Mr Bush: "He's been talking about his policy of moving beyond containment for a year and



George Bush, left, and Mikhail Gorbachev at their joint press conference yesterday

now this meeting is a fruition of that. It puts meat on the bones that a lot of critics said was not there."

Before leaving Malta for Brussels to brief Nato partners, Mr Bush was asked if the Cold War was finally over. He simply smiled and flashed a thumbs-up sign.

El Salvador issue fails to rock boat

By Quentin Peel

DETERMINATION to emerge from the Malta summit in a spirit of co-operation, not confrontation, effectively muted President George Bush's criticism of arms supplies to El Salvador.

At the same time, both sides paid tribute to their respective efforts to promote peace in both Lebanon and the Arab-Israeli conflict - jointly in the former, and separately in the latter.

While the US leader made it quite clear that he was still unhappy about the flow of arms to Salvadoran guerrillas, allegedly through neighbouring Nicaragua, he said that he accepted Mr Gorbachev's assurances that Moscow was not involved.

Instead, he directed his anger at the Nicaraguan Sandinista Government, insisting that it must be misleading the Soviet Government in denying any involvement in the supplies.

For his part Mr Gorbachev repeated his Government's

support for a political settlement in the region, including UN-observed elections in Nicaragua.

"We understand the concerns of the US," he declared. "We listened carefully to the arguments of President Bush in this respect, and we assured him that our position of principle is that we are in favour of a political settlement of the situation in Central America."

"There are possibilities to have a peace in that area, tranquility in the interests above all of the peoples of that region, which do not run counter to the interests of the US."

For his part, President Bush said there were still "differences" between the two sides, but "we talked about them... I would like to think they have been narrowed."

On Lebanon, the two agreed to continue to exchange views. President Bush said the two were "in total agreement" in supporting the tripartite agreement in Lebanon.

Trade proposals seek to draw Moscow into world economy

By Peter Riddell

THE US proposals on trade with the Soviet Union are intended to help advance what President George Bush has described as the reintegration of the Soviet Union into the world economy.

There are four main elements:

● A promise to remove current restrictions and grant the Soviet Union Most-Favoured Nation Status once the Supreme Soviet has approved laws codifying the liberalisation of emigration laws. This will involve waiving the Jackson/Vanik amendment which imposed trade restrictions in response to obstacle to Jewish emigration.

● Allowing the US Exim Bank to provide guarantees on trade with the Soviet Union. Change would raise upper limit of export credit above present \$300m (\$187.5m).

● Seeking a mutual investment treaty under which Soviets would provide guarantees about repatriation of profits; and permitting the Overseas Private Investment Corporation (Opic) to provide insurance guarantees on US private sector investment and joint ventures in the Soviet Union.

● Supporting the grant of observer status to the Soviet Union at the General Agreement on Tariffs and Trade, the Geneva-based organisation which negotiates international trade policy, but this would only be after the completion of the current Uruguay Round negotiations, expected by the end of 1990.

These proposals are more of symbolic significance than enormous economic importance since trade between the US and the Soviet Union is relatively small, running at less than \$1.5bn in the last couple of years.

Moreover, there has been a massive imbalance in favour of the US, whose exports to the Soviet Union have been between five and six times Soviet sales to the US. This reflects the large US grain exports to the Soviet Union and the relatively few Soviet products which the US wishes to buy. Gold has accounted for around a quarter of recent US exports to the Soviet Union.

On the investment side, there have been roughly 1,000 joint ventures registered between companies in the two countries. However, most are in the service sector rather than in manufacturing, to the evident disappointment of the Soviet side.

Soviet economists have admitted that joint ventures and external investment have been inhibited by centralised control and an inadequate pricing system.

However, the Soviet hope is that reforms to encourage enterprises to carry out their own export/import operations - as well as long-term moves towards a convertible rouble - will stimulate both investment and trade.

President Bush's trade proposals are likely to be welcomed in the US by all but a few conservative Republicans who are suspicious of helping the Soviet Union in particular. Senator George Mitchell, the Democratic Majority leader, has been urging precisely the sort of trade steps now announced. Similarly, Senator Lloyd Bentsen, the chairman of the Senate Finance Committee, which has jurisdiction over such trade matters, has talked favourably about at least a temporary waiver of Jackson/Vanik.

In addition, President Bush repeated the US willingness to provide technical and expert assistance to help economic reform.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd, Frankfurt, Germany. (Grafenstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Telex 41613) represented by E. Fieger, Frankfurt/Main, and, as members of the Board of Directors: F. Burlew, R.A.F. McCann, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurt Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Newbury One Southwark Bridge, London SE1 9PL.

© The Financial Times Ltd, 1989. FINANCIAL TIMES, USPS No 150640, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022. Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 93335.

Soviet Union refines line on Germans

By Quentin Peel in Valletta

MR Mikhail Gorbachev yesterday again refined the Soviet attitude towards the ultimate prospect of reunification in Germany - warning against any "artificial acceleration" of the process, but not ruling out the prospect finally.

His words at the end of the Malta summit with President George Bush coincided with a more open-minded assessment from a leading Soviet foreign policy adviser, who underlined the difference between changes in the external borders of the two Germanys and the one between the two countries.

"The more careful Soviet attitude towards the German question contrasts with the immediate strongly hostile response by Soviet officials to any hint of reunification, both after the reopening of the Berlin Wall,

THE US is expected to provide Malta with two patrol boats and two fixed wing aircraft to help patrol its territorial waters against arms and drug smuggling, writes Geoffrey Grima in Valletta. At the same time US government agencies will help to identify industrial projects suited for Malta and help train the island's 1,000-strong army.

and after Chancellor Helmut Kohl published his 10-point plan for confederation leading to unification.

Mr Gorbachev stressed once again the importance of the Helsinki agreement, which recognised the existence of two German states, and the post-war borders of Europe.

"Reality is such that we have in today's Europe two German states," he said. "Both are members of the United Nations and sovereign states. In order to remain realistic, we should say that history

itself decides the process and fate of the European continent, and also the future of those two states.

"Any artificial acceleration of the process would only exacerbate and make it more difficult to change in many European countries."

This was an apparent reference to the possible conservative backlash against reform which the threat of rapid German reunification could trigger in the Soviet Union. "It would not serve that process by artificial acceleration of the process," Mr Gorbachev said.

Mr Valentin Falin, head of the international department of the Communist Party central committee, and a former ambassador to Bonn, also warned against the temptation for reunification to become an issue in West Germany's domestic politics.

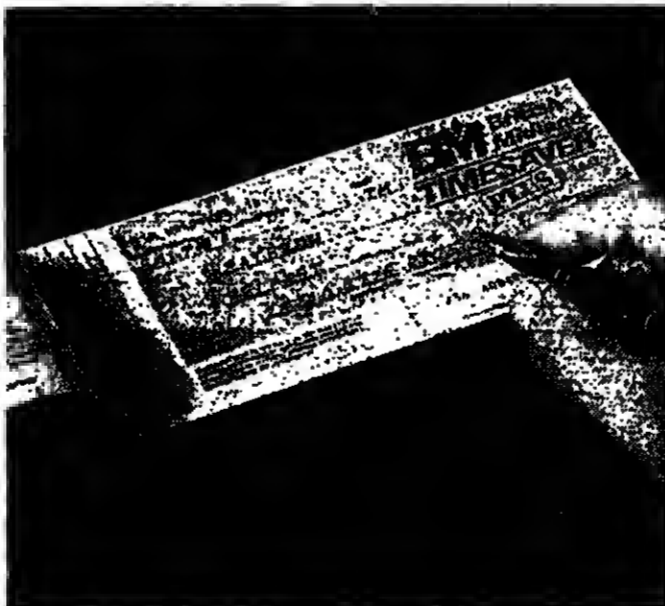
However, he said that in the long run "unusual situations require unusual solutions". There were two distinct border issues: any attempt to change the external borders of the two Germanys would be "shaking the reality in Europe," he said.

However, the internal border between East and West Germany had been "a front line for 40 years. Such a front line in a sense endangers security in Europe too."

WHY BUSINESSMEN FLY DIAMOND SERVICE - TIME, TIME AND TIME AGAIN.



TEN MINUTE CHECK-IN FOR ALL OUR PASSENGERS



SAVE EVEN MORE TIME AND MONEY - WRITE YOUR OWN TICKETS



AWARD-WINNING PERSONAL SERVICE

British Midland have always understood the needs of the business traveller.

Unlike other airlines, we have always valued your time.

Unlike other airlines, we continue to offer a ten minute check-in to all our passengers, not just those paying full fare.

Unlike other airlines, we have a reputation for punctuality. And since our Boeing 737

aircraft from Heathrow to Belfast, Edinburgh and Glasgow have full CAT III all-weather landing capabilities, British Midland are even better equipped to get you to your appointment on time.

Unlike other airlines, our Timesaver Plus self-ticketing scheme lets travellers write their own tickets, but still makes available a full range of competitive fares and offers a

corporate discount. And most important of all, unlike other airlines, British Midland staff will always make time for you; the business traveller, with a personal service our competitors only pretend to match.

Obviously, there are some Diamonds the competition can't steal.

No wonder businessmen who fly constantly, constantly fly British Midland.

Diamond Service only from **BM British Midland**

EASTERN EUROPE

David Marsh reports on the hurricane of anger over corruption which is sweeping away the old Communist hierarchy in East Germany

Berlin Politburo takes collective step to oblivion

THE mass resignation yesterday of the East Berlin Politburo, only three-and-a-half weeks after it took office, marks one more step towards the dissolution of the Socialist Unity (Communist) Party's 40-year hold over East Germany.

In its place comes a power vacuum. The breathing space achieved for the Communist leadership by the new faces promoted to the top last month has proved short-lived.

So deep is the crisis in the Communist Party that its entire Central Committee also quit yesterday, without even waiting for the special party congress later this month, when rank-and-file members are expected to sweep out many old stalwarts and replace them with reformers.

The crisis of confidence in the Socialist Unity Party (SED) has gathered pace since the Berlin Wall was opened on November 9.

Free travel to the West has introduced a new mood of cold realism about the country's economic plight. And a sudden

burst of glasnost in the East German media, stoked by street protests, has uncovered massive corruption and abuse of privileges by the entourage of Mr Erich Honecker, the deposed leader.

Anger is all the greater because East Germany was supposed to be the first workers' state on German soil. "This was not Socialism, but Stalinism," according to Mr Stefan Heym, the dissident East German novelist, who is among opposition figures distraught at the psychological damage of the corruption revelations.

Others would go further. The web of numbered bank accounts, secluded hunting lodges, Western luxuries and clandestine international trading deals surrounding the former SED leadership throws up unflattering parallels with the unfettered life-styles of Nazi chiefs under the Third Reich.

Mr Egon Krenz, the successor to Mr Honecker, who lasted only six weeks as party chief, was whistled and shouted down when he tried to calm several thousand enraged SED



Yesterday's casualties, from left: Egon Krenz, party leader, who resigned and Erich Honecker, his predecessor, expelled from the party; Günter Mittag, Harry Tisch and Gerhard Müller, all former Politburo members arrested on corruption charges; and Alexander Schalck-Golodkowski, former Foreign Trade chief, wanted by police for illegal arms trading.

members outside the party's headquarters on Saturday. After demonstrations in several cities and strike threats from indignant factory workers, East German radio and television at the weekend pointedly carried stories calling for the Politburo to quit.

Yesterday's news of the arrest of leading members of the Honecker regime - headed by Mr Günter Mittag, former economic planning czar - was an attempt to boost confidence in a cleansing process at the top. But in view of the network of fraud and deceit coming to light, it is uncertain whether confidence can be restored.

Mr Krenz has to give the prosecutor instructions underlines the dependence of judicial authorities on the political leadership.

The delay between the ousting of Mr Honecker and firm efforts to clear-up the allegations of infringements has been a prime factor behind the public disquiet over whether Mr Krenz really brings in a new broom.

The protests go well beyond complaints about the former leadership's lavish life at Wandlitz and at hunting lodges in Mecklenburg. Building and equipping these residences appears to have been one of the many uses of secret SED

funds earned through the manifold foreign exchange procurement activities co-ordinated by Mr Alexander Schalck-Golodkowski.

"Big Alex", as his colleagues respectfully call him, was head of the SED's multifarious currency transactions department, with activities ranging from the earning of commissions on East-West trade deals to the supplying of expensive Western limousines for the party zootenklatura.

Mr Schalck, whose operations were closely entwined with the secret service, was last night said to be outside East Germany, with an East German

stock, on the Baltic coast, maintained by Inea, a secret arms-trading company set up by the SED to supply weapons to the Middle East, Africa and South America.

The official news agency, ADN, said residents were outraged at finding unsuspected stores of filled ammunition boxes, weapons and other military technology maintained dangerously close to houses. Further revelations are almost certain as the result of the work of the parliamentary committee.

Prague opposition to renew protests over new cabinet

By Leslie Collin in Prague

"THIS IS even worse than the old government," a member of the Civic Forum opposition said, shaking his head in disbelief at yesterday's newly formed cabinet in Prague under Prime Minister, Mr Ladislav Adamec.

It was worse, he said, because the opposition had demanded a pluralistic government and was instead confronted with a massive 16 out of 20 cabinet appointees who were members of the Communist Party.

The key defence and interior ministries were again both given to communists, although Civic Forum had called for a non-communist to be named to one of the posts. It also demanded that both men be civilians, but the new Defence Minister was again a military man, Gen Miroslav Vacek, and the Interior Minister, Mr Frantisek Pinc, was believed to hold military rank.

Mr Adamec appeared to believe that he could get away with what amounted to a reshuffled communist-dominated government. A senior Communist Party official noted that Mr Adamec was essentially doing the bidding of the party's new general secretary, Mr Karel Urbanek, who was flexing his muscles against the opposition.

Civic Forum's spokesman, Mr Jiri Dienstler, said after the cabinet was announced that the opposition was calling for a "gathering of citizens" at 4pm today on Wenceslas Square in protest against the new government. This meant a resumption of the daily mass protests which brought down the former communist leadership under Mr Milos Jakes and led to the resignation last week of Mr Adamec's previous government.

The demonstrations, suspended last Tuesday after a general strike, were likely to

grow more powerful and to continue until the newly announced government stepped down, opposition leaders indicated.

Persistent rumours of an imminent crackdown on the opposition by the army and security forces were not wholly rejected by Civic Forum, but were thought to be unlikely in view of the international situation.

The Soviet Union on Saturday admitted that it wrongly intervened militarily in 1968 against Mr Alexander Dubcek and Moscow offered no hint of support for a hardline solution in Prague now.

"The Government doesn't control the army and no-one controls the security forces. For that matter we scarcely control Civic Forum outside of Prague," Mr Jan Urban, a leading opposition member, noted. In such a situation there had to be a compromise with Mr Adamec. "But we cannot compromise too much," he said.

The five non-communists in the cabinet consisted of three appointees with no political affiliation and only one each from the People's and Socialist parties. This was a slap in the face for the Socialists in particular, who had backed the opposition in recent weeks.

Of the cabinet appointees, 50 per cent were previous members of the Government and six out of 21 came from Slovakia which forms the smaller part of the Federation with the Czech Lands. One woman made it into the cabinet, Ms Kvetoslava Korinkova, who is responsible for the People's Council Committee.

Mr Jaromir Johannes remained Foreign Minister and Mr Bohumil Urban continued as a first deputy Prime Minister. Mr Jaromir Zak retained his dual posts as a deputy Prime Minister and head of the State Planning Commission.

Ceausescu bleak on economic prospects

By Judy Dempsey in Vienna

AS reforms sweep throughout Eastern Europe, Mr Nicolae Ceausescu, Romania's hardline President, and Communist Party leader who has repeatedly rejected erosion of the party's monopoly, has delivered a bleak analysis of the country's economic situation.

Speaking last Friday to a meeting of the Political Executive Committee, the equivalent of the politburo, Mr Ceausescu listed a catalogue of grievances, including the food shortages.

Although he regularly criticises ministers, and sacks them almost at random, for their failure to fulfil the plan and to boost exports, the plank of Mr Ceausescu's economic policy - this time he explicitly criticised the PEC itself, over which he and his extended family hold considerable influence.

"There have been many shortfalls in the past," he said, "which are linked to the way the PEC prepared certain adopted measures and above all the way it prepared the action to make them work."

And in language typical of his haranguing style, Mr Ceausescu insisted that it was "absolutely necessary... and

in absolute order, that the whole style of ministers, and activists of the workers' revolutionary democracy work."

He gave no indication how the food shortages, exacerbated by the fact that much of the produce is earmarked for the export market, should be tackled.

However, he called for what he termed "a special programme needed to mobilise food production and light industry within two years to satisfy consumer demand".

The last time Mr Ceausescu addressed the question of food supplies was in 1982, when, desperate for hard currency to repay the country's hard currency debt, he justified diverting produce away from the domestic market to the export market on the grounds that the Romanians were either eating too much or were hoarding vast amounts of food.

At the same time, he said that Parliament, which the party controls with an iron hand, should play a greater role. He did not spell out in any detail how parliament's non-existing influence could be created but simply said that the Communists should remain responsible to the party.

THE BUSINESS.

When you're in business, it's important that your money works hard for you, but you can't afford to keep it tied up. With this in mind, we've put together Midland MoneyMaster. A high interest account that gives you instant access to your money, because you control it by phone. So when your business has a surplus of cash, all you have to do is give us a call and we'll transfer any amount over £500 into your MoneyMaster account.

There it will earn you a healthy 12% gross on the minimum investment of £2,000, up to an appetising 14% on amounts over £100,000. If you need money quickly, we can slide back however much you need straight away.

MONEYMASTER INTEREST RATES	
	GROSS
£2,000/£9,999	12.00%
£10,000/£24,999	12.75%
£25,000/£99,999	13.50%
£100,000+	14.00%

Interest will be paid quarterly gross or net subject to your tax status.

That way, you're always earning high interest on any money you aren't using. If you'd like to know more about opening a MoneyMaster account call us free on 0800 400 469, call into your nearest Midland branch, or fill in the coupon below and send it to: Customer Information Service, Midland Bank plc, FREEPOST, PO Box 2, Sheffield S1 1AZ. And you'll discover we mean business.

Please send me full details of Midland MoneyMaster.

Name/Business Name _____

(Title/Ms/Mr/Ms) (Please tick as applicable) _____
Type of Business _____

Address _____

Postcode _____

I am/am not** an existing customer of Midland Bank. (Please tick as applicable)
Branch (if Midland customer) _____



RATES MAY VARY AND ARE CORRECT AT TIME OF GOING TO PRESS. © MIDLAND BANK 1989



BACK IN THE USSR.

Driving pleasure knows no frontiers. An automobile which is so highly recommended is also appreciated in Moscow.

BMW is therefore represented in the Soviet capital - not far from Red Square - one of many places around the globe displaying the blue and white emblem.

The 7 Series has wide international support, as is impressively demonstrated

by the many awards it has received throughout the world.

In England, the home of the luxury limousine, "What Car" has chosen it as the "Car of the Year" in '87 and '89 and as the "Best Director's Car" in '87. In extremely car-conscious Japan, "Sports Nippon" awarded the title of the "Best Import Car" to the 735i.



You will find the BMW branch not far from Red Square: Puschkinskaja ul. 9/10, Moscow.

In Italy, with its leading automobile couturiers, jurors from eleven international specialist journals added the "Car Design Award" to an already impressive prize list.

In the United States, the country with the largest automobile market, the 750iL obtained the "Best Overall New Car", "Best Foreign Sedan" and "Best New Engine" awards, all in 1988.

At home in Germany, the 7 Series was elected in 1989 - for the third time in succession - as the "best (premier class) car in the world" by the readers of "auto motor und sport".

For BMW, this impressive international success for the 7 Series is not just well-deserved recognition, it is a spur for the future.



The ultimate driving machine

market
e on the
number
spread
total
rate of
days
the sum
counted
- 40
part of
the
four
to air

have
state
title
of the
other
at of

con.
at the
con.
con.
con.

on
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

in
in
in
in
in
in

OVERSEAS NEWS

Brussels draws up proposals on energy efficiency

By Lucy Kellaway in Brussels

THE European Commission plans to put forward new legislation on energy efficiency, and is to order an inquiry into whether energy taxes could be changed to cut consumption and make energy prices better represent the environmental costs.

EC Commission chooses the fast-track approach

Tim Dickson reports on progress towards a common transport policy for the single market

WHEN Mr Karel van Miert was given the job of European Community Transport Commissioner at the start of 1988, few outside his native Belgium took much notice of this once fiery Flemish Socialist.



In the single market, lower fares - which have signally failed to flow from the first package negotiated by the previous Commission - also offer the opportunity to win wider popular approval for the Community and its institutions.



Delahaire chairs today's talks

routes served by Air France. "There must be right to operate when an airline is economically viable and meets the relevant norms and standards for safety and security," says Mr van Miert.

Table with title 'WORLD ECONOMIC INDICATORS' and sub-header 'FOREIGN EXCHANGE RESERVES (US\$m)'. It lists data for UK, US, W. Germany, Japan, Belgium, Italy, Netherlands, and France across four time periods.

Mannesmann favoured for mobile phone deal

THE CONSORTIUM headed by Mannesmann, the engineering company, has emerged as the front runner to win the licence for West Germany's first privately-operated mobile telephone network.

Twelve die in fire and blast at Belgian shooting club

A FIRE and gunpowder explosions yesterday killed a dozen people and injured eight others at a shooting club in suburban Brussels, officials said.

Advertisement for Interbank, Turkey's leading corporate bank. Features the headline 'HALF-WAY BETWEEN EUROPE AND ASIA, ONE OF THE MOST DYNAMIC BANKS IN EITHER.' and includes contact information for Istanbul.

Advertisement for 'THE FACTS' Personal Organiser. Features the headline 'AT £29.30* IT FIGURES.' and includes an image of the product, a list of features, and an order form.

UK NEWS

Tory faithful gear up for leadership contest

By Ralph Atkins

THE CAMPAIGN to re-elect the Prime Minister stepped up a gear at the weekend as Conservative MPs prepared for tomorrow's vote in the party's first contested leadership election since 1975.

Mrs Margaret Thatcher is expected to win a convincing majority over Sir Anthony Meyer, her token challenger. But there is no clear indication of how many dissenters will either abstain or vote against her.

More than 20 "loyalist" MPs spent the weekend rallying support for the Prime Minister

under the direction of Mr George Younger, the former Defence Secretary, who is acting as her campaign manager.

The vote is seen as a rare opportunity for the 374 Conservative MPs to express in secret their anxieties about Mrs Thatcher's style of leadership. A total number of votes and abstentions approaching 100 would be widely seen as evidence of widespread disenchantment.

Mr Younger yesterday acknowledged the Prime Minister's attitude towards Europe had emerged as an issue in the

campaign - but denied it had divided the party. "She is a strong pro-European... She has, however, strong views on how Europe can best run itself," he said.

His remarks, however, coincided with comments on BBC Television by Mr Edward Heath, former Conservative Prime Minister, who described Mrs Thatcher as a "narrow little nationalist."

In addition, Sir Leon Brittan, the UK's senior European Commissioner, signalled differences with Mrs Thatcher on several points in a television inter-

view. The former Tory Home secretary backed proposals for an independent Bank of England and highlighted a "decided ambiguity" in the Government's alternative to the Delors report on European economic and monetary union.

Unsure among Conservatives about Europe could undermine Mrs Thatcher's position at next weekend's European Council summit meeting in Strasbourg. Last night she flew to Brussels for today's briefing of Nato leaders by US President George Bush.

Sir Anthony Meyer said he is

at odds with the Prime Minister over the European issues. He does not regard himself as a pretender to her throne but believes Conservatives should be able to pass judgment on Mrs Thatcher's premiership.

In an open letter published in The Sunday Correspondent newspaper, he said: "For a long time there has been a clear majority in the Cabinet in favour of joining the European Exchange Rate Mechanism. The Prime Minister almost alone has blocked it and there is every indication that she will go on doing so."

BA to pay £30m for stake in Sabena

By Andrew Hill

BRITISH AIRWAYS will this week confirm the purchase of a 20 per cent stake in Sabena, the Belgian airline, for about £30m.

KLM Royal Dutch Airlines is also buying 20 per cent and the balance will be held by the Belgian Government. Both British Airways (BA) and KLM, 89 per cent of which is owned by the Netherlands Government, are expected to have seats on the Sabena board.

The deal was first heralded in June but negotiations became bogged down while BA concentrated on its consortium bid for United Airlines (UAL) of the US. Financing for the \$6.8bn buy-out - in which BA would have had a 15 per cent stake - collapsed two months ago, triggering a slump in the US stock market.

According to the original outline of the deal, Sabena would be restructured with increased capital and a new subsidiary, Sabena World Airlines, set up to conduct the airline operations. KLM and BA have been invited to take stakes in the subsidiary.

The link would give BA another "hub" airport in Brussels, taking some of the strain off British airports, which are already overcrowded.

A formal announcement of the Sabena deal - expected early in the week - will probably outline operating and marketing agreements. It could also cover international operations, training, reservations, fleet re-equipment and maintenance.

The cross-border deal will still require approval from the European Commission, which is likely to be prompted by other airlines worried about possible anti-competitive links between two of the EC's largest airlines.

BA believes there will be few problems because UK and Belgian airlines are not direct competitors.

BA will have no difficulty funding the purchase of the Sabena stake. It raised £320m with a rights issue to finance part of the UAL deal, although only 6.3 per cent of the issue was taken up by existing investors.

Ambulance union offers compromise

By Fiona Thompson

THE Association of Professional Ambulance Personnel will recommend acceptance of the Government's 9 per cent, 18-month pay deal for ambulance workers if some elements of the overall package are improved.

Department of Health officials will this morning begin talks with the breakaway group in a bid to break the deadlock in the 12-week-long pay dispute.

APAP, formed in 1981 after the 1979/1980 health service unions' dispute, will form the basis of a new ambulance pay negotiating body to run in parallel with the existing Whitley Council, on which the five Trades Union Congress-affiliated ambulance unions are represented.

It is thought likely that any agreement reached with APAP would be imposed by the Department of Health on all of the country's 22,500 ambulance workers.

The five TUC unions rejected a 12-month, 6.5 per cent pay offer and the subsequent 18-month 9 per cent deal.

Nips, the union representing the largest number of ambulance staff, said yesterday that even if the Government did impose on all staff any deal with APAP, it would not end the dispute. "It would only mean that people would have more money in their pockets to continue the dispute."

Vauxhall pay deal revives hope for £200m engine plant

By Michael Smith, Labour Correspondent

MANUAL workers at the Ellesmere Port plant of Vauxhall, the car manufacturer, will win a 5 per cent wage rise - on top of any annual increase - as part of a deal on changed working practices and bargaining procedures agreed at the weekend.

Vauxhall hopes to use the agreement to persuade General Motors, its US parent company, to site a £200m engine plant - which would provide up to 400 jobs - at the Liverpool port. The alternative to Ellesmere would be at Kaiserslautern in West Germany.

The company failed, however, to win all it was looking for from the unions in the five-month-long negotiations which ended on Saturday. Vauxhall had said that today would be the final deadline for a wage agreement.

Although neither management nor unions would go into details yesterday, it is understood that Vauxhall did not win the right to introduce double day shifts, which would have enabled the plant to stay open longer.

Although the unions were not wholly opposed to the idea in principle, the two sides could not reach agreement on pay for the shifts.

It is understood that the company also failed to win the large-scale reduction it was looking for in shop stewards,

who presently number more than 160.

Nonetheless, the company has won considerable concessions. The unions have agreed to more work flexibility and increased teamwork in bargaining negotiations.

If approved by the 4,500 manual workforce at Ellesmere Port, the agreement would also include a continuity of supply deal, which would introduce scope for increased conciliation in disputes and, providing both sides agree, the possibility of going to arbitration.

Both Vauxhall and the unions are optimistic that the deal will make Ellesmere Port a favourite to win the plant for V8 executive car engines.

However, their hopes are clouded by their failure to agree a deal on the separate issue of a pay deal for all 9,000 manual workers employed by Vauxhall.

Union leaders will meet this week to decide on how to intensify their industrial action campaign which has already led to a series of one-day strikes.

Mr Bruce Warman, personnel director, said the company had kept the two issues separate but the pay dispute would not have a favourable impact on General Motors when it made its decision on where to site the engine plant.



MORE than five tonnes of Ivory seized over the last two years by the Customs and Excise may be burned in a spectacular gesture towards the campaign to save the endangered African elephant, PA reports from London.

A Customs officer (above) stands with some of the hundreds of tusks - equivalent to 500 dead elephants - stored in bonded warehouses at Heathrow and Gatwick airports.

The stockpile, worth more than £630,000, cannot be auctioned to raise funds for wildlife conservation since Britain is committed to the global ban on ivory trading.

Hong Kong merchants have by far the largest stockpile of ivory in the world, an estimated 670 tonnes, enough to keep the trade going for 10 years or more.

CCF
Crédit Commercial de France
 U.S. \$250,000,000
 Floating Rate Notes due 1997

For the interest period 30th November, 1989 to 29th December, 1989 the amount payable per U.S. \$10,000 Note will be U.S. \$65.95. The relevant interest payment date will be 29th December, 1989.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

International Bank for Reconstruction and Development
 U.S. \$250,000,000
 U.S. Dollar Floating Rate Notes due February 1994

For the interest period 30th November, 1989 to 28th February, 1990 the Notes will carry an interest rate of 8.13% per annum with a coupon amount of U.S. \$203.25 per U.S. \$10,000 Note, payable on 28th February, 1990.

Bankers Trust Company, London Agent Bank

East River Savings Bank
 U.S. \$100,000,000 Collateralized
 Floating Rate Notes due August 1993

For the three months 30th November, 1989 to 28th February, 1990 the Notes will carry an interest rate of 8.4875% per annum with an interest amount of U.S. \$2,121.88 per U.S. \$100,000 Note, payable on 28th February, 1990.

Bankers Trust Company, London Agent Bank

Korea Exchange Bank
 Floating Rate Notes due 1994
 U.S. Dollar Denominated Notes

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 30th November, 1989 to 31st May, 1990 has been fixed at 8 1/2% p.a. The Coupon Amount payable on 31st May, 1990 against presentation of coupon number 20 will be U.S. \$214.86.

Bankers Trust Company, London Agent Bank

SIEMENS

At Siemens, we're proud of our police record.

A police record is something you don't normally shout about. Unless, that is, your record includes the contract for the new Police National Computer.

The computer is a key operational tool for today's police force. The bobby on the beat needs information, 24 hours a day, 365 days a year.

So when the Home Office decided to award the contract for a new system, they knew they had to choose an experienced and committed supplier. Siemens fitted the bill!

Siemens, together with the Home Office and in partnership with Software Sciences and PA Consulting Group, is proud to be building what will be one of the most advanced systems in police computing.

With such an excellent back-up system, our police force can look forward to achieving its own record - in solving crimes.

For more information, please telephone Siemens on 0932 785691.



Innovation · Technology · Quality : Siemens

UK NEWS

Labour says water sell-off will cost £3.3bn

By Ralph Atkins and Andrew Hill

LABOUR has launched a fresh assault on the Government's water privatisation with a report today putting the cost to taxpayers of the sell-off at more than £3bn.

Its estimates, based on an accountant's study, come as government figures show that 250,000 applications have been received for shares in the 10 water companies.

That compares with a total of 650,000 applications received for the last privatisation - British Steel a year ago. But 90 per cent of forms for that privatisation were received in the few days before the offer closed. The water offer closes on Wednesday.

Mr Bryan Gould, shadow Environment Secretary, said the net loss to the taxpayer of water privatisation would be £3.3bn - more than twice as much as previously thought and well ahead of the cost of selling the Rover car group.

He said shareholders would also be buying the water companies for less than half their real value. The report by Mr Stanley Hill, of accountancy firm Arthur Collins, shows that the £5.2bn gross proceeds of the share issue at will be offset by the costs of writing-off debt and Government cash injections.

Labour said additional losses to the taxpayer, identified in the report included £800m of additional corporation tax relief and £800m of relief from

pension obligations. There would also be £120m lost in incentives to customer shareholders and £120m from financing the delay in payments for shares.

Mr Gould described the report as a "shocking indictment" of water privatisation. The net cost to taxpayers represented a loss of £60 for every man, woman and child in the country.

The daily rate of applications for water shares has increased from 10,000 last Wednesday to 90,000 on Friday. Postal applications must be received by Wednesday morning or can be handed in at branches of National Westminster and Lloyds Bank before the close of business on Tuesday.

The basis of share allocations will be decided after the closing date, and analysts expect shares in all 10 companies to start trading on December 12 at a premium to the offer price.

As in previous privatisations, private investors are likely to receive preferential treatment if applications have to be scaled down because of over-subscription.

The Coal Industry Bill, which will be debated in the Commons this afternoon, will write off £5bn of British Coal's debts "just to get it up for sale to private speculators," Mr Frank Dobson, shadow Energy Secretary, said yesterday.

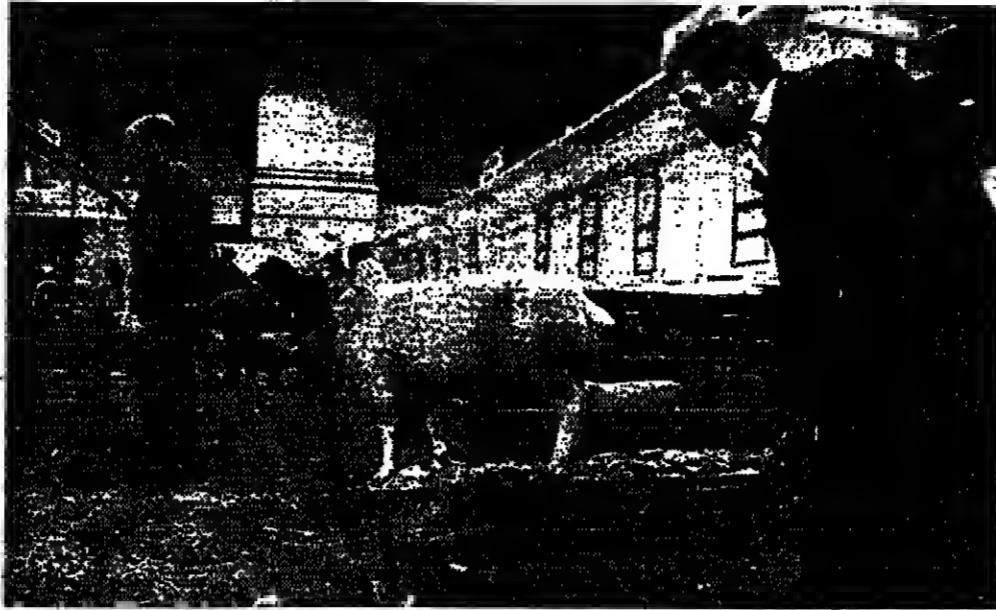
Four groups interested in buying New Statesman

By Raymond Snoddy

NEGOTIATIONS for the sale of the New Statesman, the political weekly magazine, are being opened up today to include four groups which have expressed an interest in purchasing it. An exclusive option on the left-of-centre weekly granted to Mr Robert Holmes & Court, the international businessman, ran out at the end of the month without a deal.

Although Mr Holmes & Court is believed to have offered between £2m and £3m, subject to seeing the accounts of the company, it is understood the New Statesman directors were not happy with the guarantee of editorial independence he offered. Mr Holmes & Court has not been rejected as a suitor but he has been told that negotiations will include other groups.

Those interested include The Guardian newspaper, although the paper declined to make a formal offer until a detailed assessment of the company's financial position had been carried out. The Guardian is unlikely to bid much for the company shares but would be prepared to put up the money needed to secure the magazine's short-term future.



Premier farming show opens

By David Richardson

THE ROYAL Smithfield Show, Britain's premier agricultural exhibition, opens at Earl's Court today against a background of declining investment in the industry.

The Agricultural Engineers' Association confirmed yesterday that tractor sales - widely acknowledged as a barometer of financial health in farming - were down 11.1 per cent on the first 11 months of 1988.

Last year, 22,500 tractors were sold to UK farmers compared with 28,000 in 1983 and

38,000 in 1976. Forecasts suggest total sales not exceeding about 20,000 units in 1989.

Paradoxically however, manufacturers claim to be more optimistic about the future. After a rash of multi-national mergers and take-overs over recent years and much rationalisation of factories and plant, they believe their industry is fitter and more efficient than ever.

The tractor industry also believes that the decline in world stocks of a number of agricultural commodities will

raise world food prices, improve farm profits and that export sales will then benefit.

Farm machinery manufacturers still claim a positive balance of trade in excess of £300m a year on the back of a thriving export trade.

An export market also appears to be opening up for farm equipment to Eastern Europe. The value of equipment sold to Poland has risen by 728 per cent so far this year to £2.1m and sales to Czechoslovakia have gone up 112 per cent to £299,000.

Brokers say smaller building societies face bleak future

By David Barchard

A BLEAK FUTURE for small and medium-sized building societies in the retail financial services markets of the 1990s is predicted today by UBS Phillips & Drew, the City stockbrokers.

The firm's report says many smaller societies will find they lack the capital needed not just for diversification but also for investment in infrastructure to enable them to compete with larger players in the market. Those include the clearing banks and the handful of top building societies.

As a result, the concentration of the retail financial services sector into a few large groups will increase.

UBS Phillips & Drew says smaller societies are already handicapped when making investments in information technology.

Larger institutions can develop new products and services and market them to their customer bases. Banks are already making some inroads into the personal savings market by offering better savings products.

Large building societies have responded by introducing interest-bearing current accounts. These are likely, the

report says, to replace traditional current accounts as well as building society deposits.

Smaller building societies face serious disadvantages as the market evolves in that direction. They cannot afford the high initial cost of launching the new products; their branch networks are too small; and their advertising and staff resources are too limited.

The report also predicts that banks are eventually likely to secure some form of competitive advantage over all building societies because of their much higher rate of capital expenditure.

Last year Abbey National and the top five building societies spent an average of £33m on branch fixtures and fittings for instance, while small and medium building societies (down to number 14 in the top 20) averaged £4m. However the top five clearing banks made investments averaging £175m. The report says banks are investing more than twice as much per customer as the main building societies.

Banks & Building Societies: Bloodbath in the high street? UBS Phillips & Drew, Global Research Division, 100 Liverpool Street, London EC2M 2RL.

Curb on greenhouse effect gas proposed

By Clive Cookson, Technology Editor

AN INTERNATIONAL system for controlling emissions of carbon dioxide, the main contributor to the greenhouse effect, through "marketable carbon permits" has been proposed by the Royal Institute of International Affairs (Chatham House).

In a report published today the institute's Energy and Environmental Programme says that attempts to negotiate effective target reductions for carbon dioxide, like those achieved in the Montreal Protocol for chlorofluorocarbons (CFC) emissions, are doomed to failure.

"Negotiations would drag on interminably and would be counterproductive because of the tactical value they would place on over-emphasising the difficulties of reducing emissions," the report states.

Instead, the institute advocates a system of giving every country a permit for carbon dioxide emissions which it can trade internationally.

"Permits should be leaseable but not permanently traded; the currency of exchange should be limited to develop-

ment and pollution abatement programmes and related transfers of technology and technical expertise," the report says.

"If there is to be an agreement it must have the flexibility of a tradeable system," says Dr Michael Grubb, a research fellow at the institute and main author of the report.

The report argues that the permits should initially be allocated in proportion to the adult population of each country.

"Industrialised countries would then have to buy permits from the developing world in return for the technical assistance which is crucial if developing countries are to avoid massive increases in their emissions," the report says.

The US emits more carbon dioxide per capita by the burning fossil fuels than any other country in the world and it would have to "buy" the largest number of carbon permits under such a scheme.

The Greenhouse Effect: Negotiating Targets. Royal Institute of International Affairs, 10 St James' Square, London SW1, £10.

Opponents of Scottish nature agency attacked

By James Buxton, Scottish Correspondent

OPPONENTS of the Government's plan to split the Nature Conservancy Council and create a merged natural heritage agency in Scotland have been accused of "deliberately alarmist and misleading lobbying tactics."

Mr Roger Carr, chairman of the Countryside Commission for Scotland, said he was "appalled by the degree of distortion and ecological doom-day nonsense" directed at the national news media by interest groups and individuals.

Mr Carr said they were doing a disservice to conservation "by displaying the very insen-

sitivity and inability to take a more balanced view which has already led to a widespread loss of support for conservation in Scotland."

Many conservation bodies have attacked the Government's plan to merge the council's Scottish operations with the Countryside Commission for Scotland, which promotes both conservation and enjoyment of the countryside. Critics, including the Royal Society for the Protection of Birds, say splitting the council will benefit economic development interests at the expense of conservation.



You don't have to come down to earth till you reach Malaysia

NON-STOP TRAVEL, FASTEST ARRIVAL IN KUALA LUMPUR EN ROUTE TO AUSTRALIA. 3 TIMES WEEKLY.

From 3rd December, 1989, Malaysia Airlines introduces the fastest way to Malaysia with 747-400 services, flying you non-stop all the way to Kuala Lumpur, arriving hours earlier. The 3 non-stop services depart London every Wednesday, Thursday and Sunday. Add these to the current 4 services via Dubai and you have daily flights to Malaysia. Whichever flight you choose, you'll discover a world of enchantment in the air where you will enjoy the internationally renowned inflight service of genuine warmth and charm that only Malaysians can offer... on Malaysia Airlines.



malaysia 747-400

AMMAN-AMSTERDAM-AUCKLAND-BANDAR SERI BEGAWAN-BANGKOK-BEIRUT (PEKING)-BRISBANE-BRUSSELS-COLOMBO-DELHI-DENPASAR-DUBAI-FRANKFURT-FUKUOKA-GUANGZHOU (CANTON)-HAT YAI-HO CHI MINH CITY-HONG KONG -HONOLULU-ISTANBUL-JAKARTA-JEDDAH-KARACHI-KUALA LUMPUR-LONDON-LOS ANGELES-MADRAS-MANILA-MAURITIUS-MEDAN-MELBOURNE-PARIS-PERTH-PHUKET-PONTIANAK-SEOUL-SINGAPORE-SYDNEY-TAIPEI-TOKYO-ZURICH & 11 DESTINATIONS WITHIN MALAYSIA

KLEINWORT BENSON (JAPAN) FUND
 SICAV
 Luxembourg, 11, rue Aikinger
 R.C. Luxembourg No B 8228

Notice of Meeting

Messrs Shareholders are hereby convened to attend the Extraordinary General Meeting which will be held on December 20, 1989 at 11.00 a.m. at the registered office with the following agenda:

Agenda

- Decision to change the investment restrictions of the Company, so as to adjust these pursuant to regulatory requirements for the registration of the Company as an Undertaking for Collective Investment in Transferable Securities (UCITS) in accordance with the Luxembourg law of March 30, 1988.
- Decision to amend the Statutes of the Company, to reflect such changes, namely as they relate to the corporate object for investment in transferable securities, in accordance with the law of March 30, 1988, to an unlimited duration, to the definition of permitted investments and to the investment restrictions and to conform these to necessary and essential changes pursuant to the Luxembourg law of March 30, 1988 on Collective Investment Undertakings.

The shareholders are advised that a minimum of one half of the share outstanding is required for holding the meeting and resolutions will be passed by an affirmative vote of two thirds of the shares present or represented at such meeting.

In order to be valid proxy forms duly completed must be received at the registered office on December 15, 1989 at 5.00 p.m. at the latest.

By order of the Board of Directors

UK NEWS

SDA says Prestwick monopoly should end

By James Buxton,
Scottish Correspondent

THE SCOTTISH Development Agency (SDA), the official body that works for economic regeneration in Scotland, has told the Government it should remove Prestwick airport's monopoly on transatlantic services from Scotland.

It has called for a working party to examine ways in which Prestwick can be developed as an international cargo facility.

Mr Cecil Parkinson, Transport Secretary, hopes to decide early in the new year whether to preserve Prestwick as Scotland's sole transatlantic gateway or to start an "open skies" policy for lowland Scottish airports.

Such a policy would mean transatlantic flights using Glasgow and, possibly, Edinburgh airports.

Mr Parkinson has received more than 1,050 submissions.

The SDA says that if Prestwick's monopoly is preserved, no new direct scheduled services are likely to be introduced in Scotland. Under an "open skies" policy, however, long-haul services would transfer from Prestwick to Glasgow and new ones would open.

Student politics casts its shadow over banking economics

David Thomas explains why a bank regarded as hero of the hour in student unions will be picketed by students tomorrow.

STUDENTS will mount a picket outside the headquarters of Lloyds Bank in the City tomorrow, just when the Bill introducing the Government's proposed student loans scheme is due to have its second reading.

On the face of it, this is rather odd since Lloyds Bank is the hero of the hour in most student unions. Last month, it broke ranks with the other three big high street banks by dropping out of talks with the Government about running the scheme, due to be introduced next September.

However, the paradox will be dispelled when the protesters outside Lloyds reveal their identity. For the picket is being planned by Conservative students angry at the coolness of Lloyds to the loan scheme.

Senior bankers are bracing themselves for a period of turbulence in the important 500,000-strong student retail market. So uncertain are they of the outcome that none will speak on the record. Yet there is considerable nervousness among the rivals of Lloyds that its stance will win a valuable marketing advantage, at least in the short term.

Protest action organised by students hostile to the scheme is likely to dwarf any counter-action among those who support the Government. Lloyds could benefit from students



Protest action by students hostile to the scheme is likely to dwarf any counter-action and student unions boycotting its rivals: "I would have thought that they would be looking at the boycott threat and rubbing their hands with glee," said a senior executive at another bank ruefully.

Talk of a full-scale national boycott by students of any bank is regarded as premature, not only by the banks but also by the National Union of Students. Every bank is keen to stress that it has not made irrevocable decisions about its role in the loans scheme.

Ten banks, including Barclays, National Westminster and Midland, have agreed to draw up a prospectus for a Student Loans Company, to act as the central administrator of the scheme. Three banks — including Lloyds — have dropped out at this stage.

No bank will decide finally on whether to help run the loans company until after the legislation has passed through Parliament. Barclays, NatWest and Midland could still drop out, while Lloyds could still

participate — although the assumption is that the position adopted by Lloyds is final.

The NUS will try to use the intervening period to persuade more banks to follow Lloyds. It has asked student unions to organise pickets of banks every Friday; to warn local bank managers that they could lose the accounts of individual students and of the unions themselves; and to threaten to restrict bank access to freshmen through student fairs and the like.

BANKS STILL IN TALKS ABOUT THE SCHEME

Barclays, Midland, NatWest, Royal Bank of Scotland, TSB, Girobank, Allied Irish Banks, Bank of Ireland, Northern Bank, Ulster Bank.

BANKS WHICH HAVE LEFT THE SCHEME

Lloyds, Bank of Scotland, Clydesdale.

leads with about 40 per cent; it has the largest number of campus outlets and a sponsorship deal allows it to advertise on NUS leaflets for new students. Barclays and Lloyds come next, each with about 20 per cent, while Midland is a few points behind its three rivals.

There are two unresolved questions: Will the NUS be able to sustain a substantial short-term boycott of banks participating in the scheme? What will be the medium-term impact of the loan scheme on the student market?

One precedent for answering the first question is the boycott of South Africa, which Barclays acknowledges damaged its standing among students. Barclays claims to have lifted its share of the student market from a low point of 16 per cent in 25 per cent of 1987, when it pulled out of South Africa.

While some bankers doubt whether the loan and anti-apartheid issues will have the same long-term resonance among students, there is increasing concern that the NUS could mobilise substantial numbers of students in the short term. The NUS will spend the next few months trying to convince banks that this is so. Its demonstration last week in Glasgow was well attended, reports say, by about 20,000 people. A few selected student unions will form

tomorrow organise account-switching by students to demonstrate student power.

On the second question, most banks assume that participation in the scheme will become a marketing plus among students, if and when it succeeds, in becoming an accepted part of the student financing scene.

Students will have to go to the branch of a participating bank to pick up their loan; few will make the effort to go to another bank to open an account. Offering a loan will become part of our student package," one banker said.

Even Lloyds seems to accept this logic. Its position is understood to be that it doubts whether banks will make any money from administering the Government's scheme and that the risk of financial loss through participation outweighs the medium-term likelihood of losing student accounts.

Meanwhile, nervousness about the short-term impact is mounting. "It was one thing when everybody seemed likely to be in, but it is another matter now that some look certain to be out," said a banker.

Building societies could also be waiting and watching, he said. "It is much ground to cover before the participating banks finally put their seal on the Government's scheme."

Grant scheme for local authorities comes under fire

By Richard Evans

THE GOVERNMENT'S new method of distributing grants to local authorities is "flawed and illogical," according to the Association of Metropolitan Authorities.

The grants, which will affect the amount of community charge people will pay in England and Wales from next April, will be based on what the Government thinks each council needs to spend. Each £1 on an authority's standard spending assessment, or SSA, means £1 off the community charge, or poll tax.

But in an analysis published today, the AMA claims to have found anomalies in the way the Government has calculated what each authority needs to spend.

The London allowance is much too low, for example, because it takes no account of the non-wage element of labour costs and higher rates and rents.

Shire counties also gain from the way SSAs have been applied to social services and education. Instead of basing spending needs on the number of elderly people living in local authority homes or using council services, the Government plans to base it on the size of the elderly population in each area.

Thus, according to the AMA, Government cash will go to south coast retirement resorts with large numbers of old people in private homes, for whom

councils do not pay or provide services. Accordingly, the proportion of the total SSA budget for social services going to the shire counties has increased by £17m.

Similarly, cash for the under-fives is based on the number of children in a local authority area, rather than the amount of cash a council spends on providing a service for them, so Gloucestershire will receive £5.3m even though it runs no nursery schools or classes.

The AMA argues that other elements of the system are farcical rather than unfair — for example, the SSA for highway maintenance includes an allowance for snow clearing, but it is based on data which show that the London Borough of Brent has more snow than Cumbria, and Camden more than Lancashire.

Sir Jack Layden, AMA chairman, said: "The Government promised us a simpler grant system, but this is not it. It also disproves the government claim that poll tax will result in greater democratic accountability with local residents able to see whether their council is an overspender or not."

"The size of people's poll tax bills next year will depend on these arcane assessments drawn up by civil servants, just as much as they will be affected by any democratic decision taken by their council," Sir Jack said.

RATINGS		
Software Digest		
1	★★★★	Lotus 1-2-3 Release 3.0
2	★★★	Super
3	★★★	Lotus 1-2-3 Release 2.2
4	★★★	Excel

Lotus 1-2-3.
The No. 1 rated spreadsheet for six consecutive years.

Lotus 1-2-3 Release 3 has just received the highest overall evaluation rating in the 1989 Software Digest Ratings Report on Spreadsheet Programs. This report is published annually by the National Software Testing Laboratories (NSTL), the independent program testing organization, based in Pennsylvania, USA. NSTL is widely regarded, by users and specifiers alike, as the definitive source of PC software evaluation.

Release 3 scored consistently high ratings in all categories and received special mentions for Ease of Learning, Ease of Use, Versatility and Performance.

Once again, a handful of analysts and millions of customers have put us in our place.

If you're evaluating a spreadsheet, you can either look at the facts. Or you can look at the hype. A look at these facts will indicate one thing. That for those people who know spreadsheets best, Lotus 1-2-3 continues to set the standard for spreadsheet excellence. That in a decade of changing technology, one thing hasn't changed - our commitment to deliver a spreadsheet with substance.

Lotus.1-2-3.
The spreadsheet of choice.

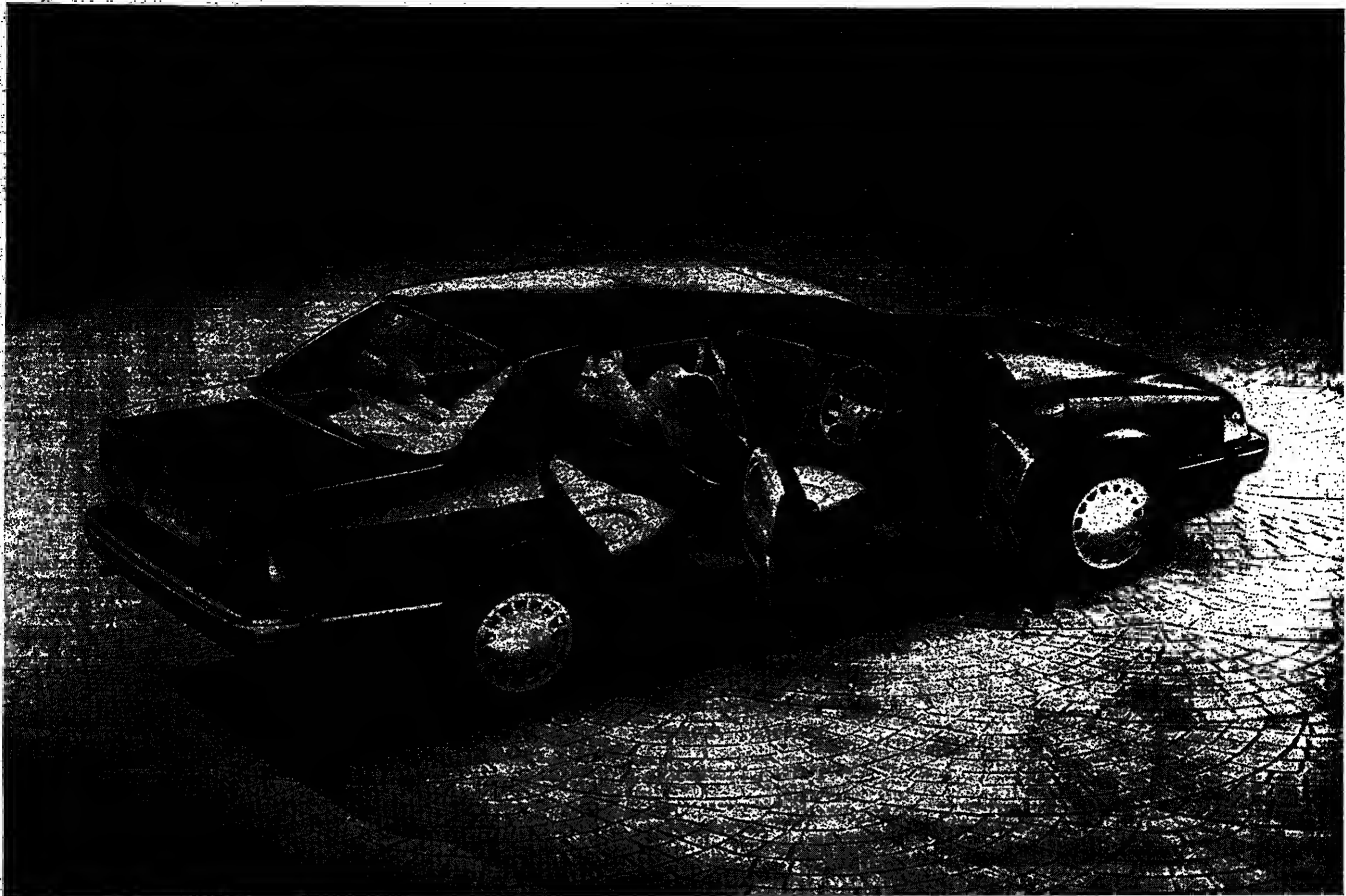
To find out more about Lotus 1-2-3 ring (049481) 6667.

STANDARD BANK
IMPORT AND EXPORT FINANCE CY LTD
USD 75,000,000
FLOATING RATE NOTES
DUE 1991
For the period November 30, 1989 to May 31, 1990 the rate has been fixed at 8.5% P.A.
Next payment date: May 31, 1990
Coupon nr: 11
Amount: USD 429,72
The Principal Paying Agent
SOCIETE GENERALE
ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

SOCIETE GENERALE
USD 500,000,000
UNATED SUBORDINATED
ING RATE NOTES
For the period November 30, 1989 to May 30, 1990 the rate has been fixed at 8.25% P.A.
Next payment date: May 30, 1990
Coupon nr: 7
Amount: USD 418,56 for the denomination of USD 100,000
USD 4,185,63 for the denomination of USD 100,000
The Principal Paying Agent
SOCIETE GENERALE
ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

HAPPY ENDING
Long life and happiness — that's what we all say. But there is a price to pay for living longer. Ours is currently £1 Million — to begin a building programme to provide more nursing care and better accommodation for the old and needy. Please help us to ensure that this vital project, too, has a happy ending.
We have been looking after the elderly since 1905 and now have eleven residential homes. Here, men and women from professional backgrounds find security and freedom, for the rest of their lives, with nursing care when necessary. Friends of the Elderly also give financial help to all old people who wish to stay in their own homes.
Please be a friend and make a covenant or remember us in your will. The old should lead happy and dignified lives — they deserve nothing less.
Write today with a donation and enquiry to:
The General Secretary,
Friends of the Elderly
(Dept. FT) 1, 42 Ebury Street,
LONDON SW1W 0LZ.
Registered charity number: Z26064

FRIENDS OF THE ELDERLY
and Gentlefolk's help



THE DASHBOARD IS THE ONLY THING THAT'S WOODEN ABOUT A SAAB CDS.

Take a seat and absorb the quality and space surrounding you in a CDS. The first thing you notice, is the walnut dashboard in front of you. This wood has travelled all the way across the Atlantic. It's Virginian Black, a burr walnut. It's been specially cut, hand-crafted and given eight coats of lacquer, leaving tones of light and dark that enhance the rich feel of the car's interior.

Now the dashboard's layout catches your eye. Mother nature may have provided the wood, but Swedish Aircraft technology built the car, so the controls are shaped around you like a cockpit. The instruments are large, and easy to read.

You begin to realise, that when Saab make a luxury car, they don't sacrifice practicality. Nor will you find any compromise

on space. In the USA the Saab-CDS is one of only two European cars officially classified as large. The other is a Rolls-Royce. The Saab, however is designed for drivers, not chauffeurs.

As you drive away, you realise that the luxury features of the CDS are not merely cosmetic. Beneath the leather upholstery, for instance, is a seat designed by orthopaedic experts, with five adjustments, to help find the most anatomically correct, yet comfortable position.

In fact, the car is so comfortable, that you won't want to leave it. Unfortunately, then, that this is the end of your test drive. You turn off the ignition and take a last look around the car.

Touch wood, you'll now be making a purchase.

For a test drive ring 0800 626556.



CD 4000 900

SAAB CD FROM £15,995 SAAB 9000 FROM £18,295 SAAB 900 FROM £11,495

ALL SAABS SINCE OCTOBER '84 CAN PERFORM ON LEAD FREE FUEL WITHOUT MODIFICATION. CAR SHOWN CDS £17,995. PRICES CORRECT AT PRESS DATE. EXCLUDE DELIVERY, ROAD TAX, PLATES, I.C.E. FOR DETAILS 0800 626556 OR SAAB INFORMATION CENTRE, FREEPOST TV 537, STRATFORD, CONTRACT HIRE 0800 626567.

APPOINTMENTS

Executive chairman of Kingfisher

■ Sir Kenneth Durham will be retiring as chairman of KINGFISHER from February 3, the end of the current financial year. Mr Geoffrey Mulcahy will be appointed executive chairman upon Sir Kenneth's retirement. Mr Mulcahy will remain chief executive of Kingfisher, a post he has held since April 1, 1986. At the same time, Sir Nigel Mobbs will become non-executive deputy chairman.

■ Mr Jack Greener, formerly chairman of Richards Longstaff, has joined LAURENCE KEEN, stockbrokers, as a consultant.

■ PA CONSULTING GROUP has appointed Mr Paul Thornton as group marketing director. He is succeeded as marketing director, Western Europe, by Colin Lessner. Mr Michael Rappolt becomes chief executive Europe, and is succeeded as chief executive, computers and telecommunications, Western Europe, by Mr Peter Coppinger. The appointments are from January 1.

■ B&S, a STOREHOUSE subsidiary, has promoted to buying directors: Mr Cliff Hind, housewares; Mr Peter Malby, womenswear; and Mr Brian Smith, childrenswear, menswear and accessories. Mr Steve Bedford becomes human resources director. Mr Tony Anderson, personnel director, and Mr Derek Maynard, property director, are resigning.

■ Mr Hugh McCoy has been appointed deputy chairman of H. CLARKSON & CO. Mr David Horne and Mr Rory Mackean become directors.

■ Mr Pat Burbidge has been appointed managing director of HUNTER HOMETEXT. He was sales and marketing director of sister company Hunter Building Products.

■ Mr Paul Clarke, analytical instruments division director, and Mr Rick Gaskin, physical measurement division director, have been appointed to the board of ROTH SCIENTIFIC. Dr John Burmick has been appointed managing director of Roth Industrial Instruments. Mr Colin Whyld, an executive director of Roth Group, has resigned to pursue other interests.

■ Mr Peter Bradley has joined BRITISH AIRWAYS as business centre manager to the airline's retail and leisure divisions. He was technical director with ABC International.

■ Dr Malcolm Aitch has been appointed a principal of DAMES & MOORE INTERNATIONAL.

■ Mr Rupert Clarke has been appointed to the main board of the MORGAN GROUP. He is a director of subsidiary Woolgate Property Finance, and of The Retail Group.

■ Mr Bill O'Neill, managing director of News International Newspapers, a subsidiary of NEWS INTERNATIONAL, has been appointed senior vice president/human resources, News America Publishing Inc. He is succeeded by Mr August Fischer, general manager. The appointments are from January 1.

■ Mr Kenneth Jacques has been appointed chairman of the ISA/MSL Partnership, jointly owned by MSL International and the Institute of Chartered Secretaries and Administrators.

■ Mr Peter A. Greenwood has been appointed to the group board of SIDDALL & HULTON. He is managing director of subsidiary Sidhu Care, Halifax.

■ Sir Keith Bright, deputy chairman of Electrocomponents, has been appointed to the board of MANAGEMENT FIRST.

■ HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr Nigel Bovington and Mr David McClure Fisher to the board from January 1.



Mr Jan J. Struyt (above) has been appointed executive director of AMRO BANK CORPORAIRE FINANCE in London. He was senior vice president and head of corporate finance group, Amro Bank, Amsterdam.

■ HARVEY & THOMPSON, a retail banking group, has appointed Mr Bernard Lardner as an executive director from December 1. He was a director of Laing & Crutchbank's corporate finance division.

■ FINANCIAL INSURANCE GROUP has appointed Mr Charles Bellringer as finance director. He was finance director at Legal and General Financial Services, and replaces Mr Andrew Anderson who has been appointed international operations director. Mr Phil May joins Financial as group actuary. He was UK life marketing and actuarial manager of The Victory Reinsurance Co. Mr Paul Van den Heule has been appointed information technology and operations director. He was projects development and central operations manager, financial and insurance services division, Abbey National.

■ Mr Garth Bearman has been appointed chairman and managing director of ROBERT FRASER US AND INTERNATIONAL.

■ Mr Les Dunn has been appointed managing director of MARBOURN, Hartlepool, a Hanson subsidiary. He was director and general manager.

■ Mr Tim Thomas has been appointed a director of GUINNESS FLIGHT GLOBAL ASSET MANAGEMENT. He is manager of the global convertible fund and the global equity fund.

■ JOHN WADDINGTON has made the following changes. Mr Martin Buckley, main board director and chairman of the cartons, and business forms operations, adds responsibility for the UK plastic manufacturing companies. Mr Andrew Dalton, company secretary, becomes divisional chairman of the label companies. Finance



Mr Peter Gardner (above), managing director of Beaver Architectural Ironmongery, is joining the board of parent company KNOBS & KNOCKERS.



Dr Derek Wood (above), main board director of ALLIED TEXTILES COMPANIES, has been appointed director responsible for Joseph Lamb & Sons, and Willey & Pearson of Halifax, the group's yarn manufacturing division. He is also managing director of Bulmer & Lamb Group, Bradford. The appointment follows the retirement of Mr George England.

director Mr Geoff Gibson, absorbs Mr Dalton's previous duties. Mr Richard Wade is promoted to chief executive of the self-adhesive label companies.

■ Mr Barry Bull has joined SANWA BANK's London, international finance department as assistant general manager responsible for trade finance. He was assistant general manager, International Commercial Bank.

■ Mr Alan Cohen has been appointed group managing director of GABICOL. He was merchandise director of Principles, part of the Burton Group. Mr Alex Fyfe, co-founder of the company, and group managing director, is relinquishing this post in January, but will become a non-executive director.



Mr Brian R. Parks (above) has been appointed chief executive of the MACFERRISON group. He was managing director of Macpherson Polymers.

NOTICE OF VARIATION TO MIDLAND INDIGO CARDHOLDERS.

Midland Bank plc announces that the interest it charges to its Indigo cardholders will be increased with effect from 11 December 1989.

From that date the new interest rate bands will be increased as follows:-

- balances up to £249 : from 1.6% to 1.9% per month
- balances from £250 to £999 : from 1.4% to 1.7% per month
- balances of £1000 and above : from 1.2% to 1.5% per month

And will be applied to all interest bearing balances, and purchases attracting interest for the first time. These interest rates apply to the bands and not the whole balance. The Midland Indigo Conditions of Use will be varied accordingly with effect from 11 December 1989.



TEMPTED

BY **TOP AIR PORTUGAL**

A personal welcome. Your favourite seat by the window. A glass or two of the finest champagne. Before your beautifully served meal from what is fast being recognised as one of the greatest cuisines in the world. Accompanied by fine wines from Portugal's most respected vineyards. It's like your own private restaurant in the air. One you visit everytime you travel Navigator Class. With the airline from the country that made travelling fashionable. And the one that knows good food. Tempted?



FLYING THE WORLD YOUR WAY

Specialist business databases from the Financial Times...

Financial Times specialist online databases will help you monitor issues affecting your business. FT databases include the Financial Times newspaper itself, over 30 newsletters and magazines, Management Reports and papers presented to FT Conferences.

FT ENERGY
Oil - Gas - Nuclear Power - Coal - Electricity - Offshore - Privatisation - Economics - Exploration - Pollution - Environment - Products - Trends - Statistics - Companies

FT Media
Cable - Satellite - Radio - Television - Film - Video - Compact disc - Programming - Videotex - Electronic publishing - Books - Magazines - Newspapers - Companies - Technology - Markets - Contracts

FT TECHNOLOGY
Telecoms - Mobile communications - AMT - Electronic office - Markets - Companies - Products - Services

FT BUSINESS/ FINANCE
incorporating:
- FINANCIAL SERVICES
International banking - Financial regulations - Trade finance - Commodities - Business law - Accounting - Taxation - Insurance - Companies - Trends - Statistics - Markets

- COUNTRY REPORTS
Middle East - East Europe - Latin America - Markets - Trends - Business opportunities - Policy - Finance - Industry - Investment

- PHARMACEUTICALS
Drugs - Research and development - AIDS - Regulations - Policy - Legal issues - Companies - Finance - Markets - Trends

Financial Times databases are available from leading distributors worldwide, including Profile Information, the Financial Times' own distributor. For further information, fill in the coupon today and return it to Financial Times Database Customer Services.

Yes - I would like to receive more information about the following Financial Times databases:-
 Energy Media Technology Financial Services Country Reports Pharmaceuticals

Name _____
 Position _____
 Company _____
 Address _____
 Telephone _____
 Nature of business _____

Return to: Customer Services, FT Information Online Ltd., 19 Hatherley Road, Sidcup DA14 4BH, UK
 Tel: (44) 01-308 1003 Fax: 01-300 7367

MALTA

The Ideal Offshore Centre at the cross-roads of Europe, Africa, and the Middle East.



- Stability - A sovereign European State. A parliamentary democracy within the Commonwealth.
- Low or Nil income tax - maximum 5%. No withholding, capital gains or other taxes. Favourable tax treaties.
- Measurably lower operating costs.
- No exchange control.
- Strict confidentiality for lawful business.
- Qualified professionals in law, Accountancy, Banking and Insurance.
- A highly educated, adaptable and multi-lingual workforce.
- Substantial investment in advanced telecommunications systems.
- An ideal, easily accessible location. Direct flights to 30 major cities.

In Malta you will be in the best of company... in a perfect climate.

For more information please contact:
MIBA
 MALTA INTERNATIONAL BUSINESS AUTHORITY
 Palazzo Spinola, P.O. Box St. Julians 29, Malta.
 Tel: (356) 319055 Fax: (356) 336851 Telex: 1692 MBA MW.

MANAGEMENT

The allure of manufacturing

Alan Rosling tells Michael Skapinker why he believes there is a place for MBAs in British industry

With his bespectacled, understated manner and his Harvard MBA, Alan Rosling could pass for a merchant banker at SG Warburg - which is what he used to be.

This interview, however, takes place in a meeting room filled with ladies' underwear. Rosling arrives a few minutes late. He has been talking to Marks and Spencer. "When that customer calls, you go," he says.

Rosling is chief executive of Piersons, which manufactures underwear for M and S. Piersons is a subsidiary of Courtaulds, the UK chemicals and textiles group which recently announced it would split these activities into two separate companies.

Rosling, who is only 27, gives the lie to the view that Master of Business Administration graduates cannot find employment in UK manufacturing companies. "It is not always easy to do so, but it is certainly possible. If MBAs have learned anything about

marketing they should be able to sell themselves," he says.

Rosling joined SG Warburg in 1983 after graduating in history from Cambridge. He learned a lot there, he says, but was frustrated at just being an adviser. "You were doing important work, but the only way you could actually make things happen was by being part of the management of a company," he says.

To prepare himself for a role in management he decided to go off to Harvard for two years. "A number of people advised me strongly that the only way to make the transition to management was to be a manager," he recalls. Nevertheless, he thought he would benefit from an MBA.

At the end of his first year, he decided to get his first management experience by working for the subsidiary of a British company in the US. He wrote to 30 UK companies. None of them could offer him anything. The Boston Consulting Group could: a three month job in its Chicago office.



employing him, but neither approach came to anything. He came back to the UK and wrote to 30 companies. Some didn't reply. Others wrote to say they had no openings for someone with his qualifications, something which he says he can understand.

"From their point of view you must remember that my background was not the traditional management background they were looking for," he says. "You can understand why an organisation might think 'this is a person who doesn't fit in.'"

About ten of the companies asked him to come for interviews. Courtaulds, whose chairman Sir Christopher Hogg is also a Harvard MBA, offered him a job as business development manager, textiles. He did the job for six months before becoming head of Piersons in May this year.

As chief executive he is responsible for 700 employees and four factories. He has an executive team of eight reporting to him. All are older than

he is. None has an MBA. How did they feel about working for someone with no previous management experience? "I think they were rightly wary. Now, I hope they no longer think about it," he says. "I talked to each of them about potential problems, both at the start and as anything arose. You've got to be totally open about your lack of product knowledge and experience."

He is trying to introduce a more open and more participative management style to Piersons. He has gone round all the factories and made presentations to employees in groups of 20. He has already seen that it will take a long time to change attitudes in the factory. Some employees are sceptical because they have heard too many promises in the past. Others believe managers should be figures of authority rather than people who try to encourage participation.

"There was nothing that I learnt on my MBA that makes it easier for me to do what I'm trying to do. There's no way of



learning how to do this except to do it."

What, then, can he contribute? "I come with a completely different perspective. I bring a conviction that change is possible." He believes his executive team shares his goals. "We started off realising that nothing was going to change unless

management did. The way we treat people has got to be the starting point."

He rejects the view that manufacturing companies cannot provide MBAs with as interesting a career as consultancies. "There's nothing more stimulating than general management. You're dealing with

problems from a cleaning lady who's had an accident, to a walk-out to a product launch."

MBAs do have to accept a lower salary to work in manufacturing. They also have to accept that they have a lot to learn, he says. "Some MBAs have an inflated view of what their first job should be. I think some of them also don't work at finding a job. They expect companies to come to them. I think a number of industrial companies have had bad experiences of MBAs, of people who think they have the answers and can do everything immediately."

"But if you want to go into manufacturing you can do it. It seems to me that manufacturing companies employ people not because of the qualifications they've got but because they think they're going to do a good job."

Rosling thinks there would have been advantages to being a consultant. He would have been able to travel more, for example. But there are other experiences he would not have had. He remembers the time a Piersons factory machinist followed him into the car park to thank him for what he was trying to do. "You wouldn't get that if you were a consultant," he says.

CMB's pioneering venture in the desert

Maggie Urry explains the intent to create a cohesive team from a merged group's top managers

When two companies merge the job is often still visible years later. People are labelled as former Company A men or Company B men; the cultures still clash.

When Carnaud and Metalbox Packaging decided to merge, to form CMB Packaging, Europe's largest packaging group, both sides were determined that would not happen. Even before the deal went through - and despite a last minute hitch which could have resulted in the whole thing being called off - the people who were to form the top management level of CMB set off on an adventure together. They spent a week in Jordan, the first three days in a hotel discussing and drafting CMB's targets and ideas.

The idea was to build a team, breaking down loyalties to the previous two companies - the UK-based Metalbox Packaging and the French Carnaud - and forging a new loyalty to CMB. The team spanned different nationalities since the group covers most European countries and the US.

Mike Kirkman, director of management and organisation development, admits that

"team building" exercises are common, but points out that most companies send existing teams on them - not entirely new ones. Further, CMB was to have an unusually "flat" management structure. This meant that a large number of people - 29 - were to form the "group managers network", called the GMN, which is the top management unit immediately below the formal board.

These 29 people, from six different countries, met for the first time as a group only two weeks before the exercise was due to begin, when they were invited to join the senior management team. The merger inevitably meant that some people were changing their jobs, and many did not know what their new roles would be.

When they set off together for Jordan the company had still not even been formed. Kirkman says the reasons behind this were that they knew once the company was formed people would be busy, and that they wanted to "hit the road very fast". As a result

CMB was able to get 90 per cent of the organisation sorted out within two days of the company's formation at the end of April, Kirkman says.

Kirkman says Jordan was chosen partly because it was "available", and, more importantly, because none of the 29 had ever been there before. Kirkman says Jordan is "a fascinating, fabulous, beautiful place" and people's natural response was to turn to each other to share the new experience. This would bind them together for the future.

On arrival each of the team was issued with a sea-green jogging suit and beige snorkel, to emphasise the common aim. For three days the 29 drove through the desert in jeeps, with four or five to a jeep, and planned to change round so that each person spent time with each other person.

Exercises were planned to help people get to know each other. Throughout, discussions centred on CMB and how it would operate, but in an unforced manner.

Heavy symbolism pervades descriptions of the trip, much of which followed in the footsteps of Lawrence of Arabia. Like the formation of CMB, it was a journey into the unknown.

When night driving through a desert the managers discovered it was difficult to follow the jeep in front because of the dust thrown up. Instead the leading jeep had to make sure that the one next in line was keeping up. From that, Kirkman says, the managers could learn a lesson about solidarity.

Kirkman says that the things normally designed into a team building adventure happened naturally. The guide got lost, one team wandered across an artillery range, jeeps suffered punctures, it rained hard, camel and horse riding was attempted - and someone fell off a horse. People slept in tents, ate round a camp fire, swam in the Dead Sea, and walked into the ancient city of Petra in the early morning.

In Petra a photograph was taken of the 29. Instead of the usual dull picture of besuited executives lined up, the group assembled on ancient steps in the upside-down pyramid which symbolises the group's structure. Wearing their jogging suits, they held hands "to demonstrate what a network means."

The group has a highly decentralised structure and, says Kirkman, the photograph symbolised the absence of hierarchy and lack of a stiff and starchy culture. Further, in the picture "you cannot tell who is from Metalbox and who from Carnaud, who is British, who is French and so on," Kirkman explains.

After the time in the desert, the group returned to Amman where three days were spent in a hotel working on CMB's visions and plans. Helped by Alain Gauthier, a consultant, the group discussed what CMB's goal was, where the group started from and how to bridge the gap between. Kirkman says they agreed that

"you must not lose touch with reality, but you must not lose touch with the vision."

The group drafted "the CMB Commitment" which was later sent to the entire workforce for suggestions. This is an eight point document, setting out CMB's aim to be a leader in packaging, describing the relationship it wants to have with customers, suppliers, employees, shareholders and communities, concluding with a call to "launch our group into the 21st century."

The 29 also drafted a list of basic values, which all agreed. Kirkman says the plan is that when arguments arise in future, these values can be referred to as the ground rules. For example, it was agreed that once the GMN had decided something, everyone would support the decision inside and outside the group.

During the discussions the language used was English, though Kirkman says if anyone felt unable to express a passionate view in English he was allowed to use his own

language. And, Kirkman recalls, the discussions aroused "some poetic notions from a bunch of can-makers."

The last day in the hotel saw the first meeting of the GMN when a number of appointments and organisational decisions were taken. A GMN song, to the tune of Yellow Submarine, was written and performed.

Since then the GMN has been meeting for two days a month, and in September Gauthier was invited back to see how the group was achieving what it set out to do.

Kirkman argues that had the group not gone away together the rapport which has been quickly established would not have been possible. He says a recognisable CMB culture is emerging.

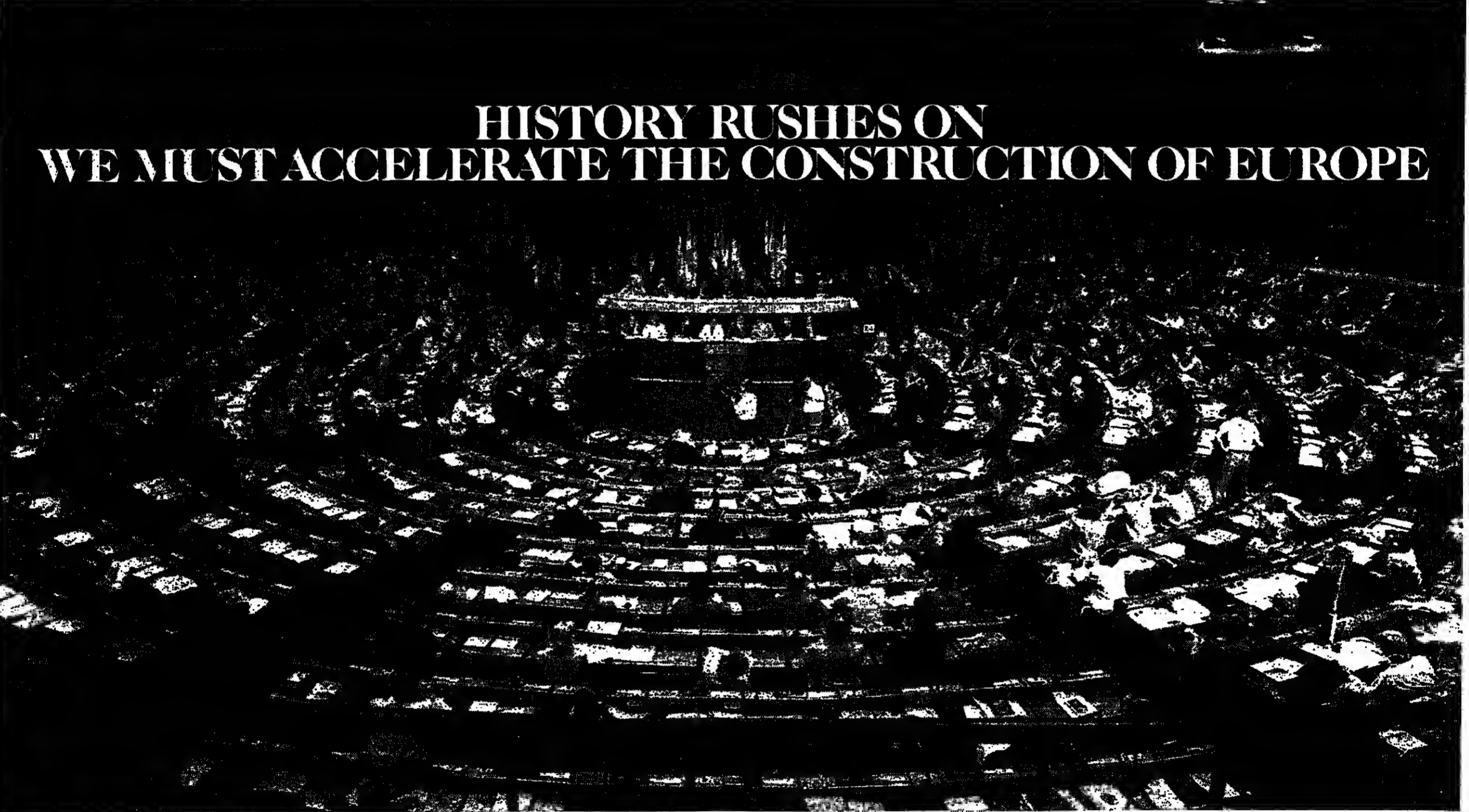
However, the exercise has thrown up one problem - what to do when a new member joins the GMN. This has already been met - Robert van den Heuvel is joining the group at the start of next year. He has neither a Carnaud nor Metalbox background, but has already remarked that his new colleagues keep talking about Jordan and has demanded to read the book about the trip produced for the 29 who went.

ADVERTISE YOUR HOUSE IN FULL COLOUR

every Saturday in the Weekend FT.

To find out more call Lesley Proctor on 01-873 3591.

FINANCIAL TIMES



HISTORY RUSHES ON WE MUST ACCELERATE THE CONSTRUCTION OF EUROPE

Our objective is to build a European Union. Solidarity and Unity are more than ever necessary in a rapidly changing world. In the East, Communism is collapsing. The European Community is the hope and inspiration of all Europeans seeking freedom and democracy. The free Internal Market of 1992 will not be just a free trade zone; its achievement will bring employment and prosperity.

The economic union must be strengthened by adopting a common currency and guaranteeing the same social rights to all. Without a comprehensive environmental policy our children will not have a safe and secure future. In Strasbourg on 8 and 9 December the government leaders of our Community must take important decisions. The European Parliament, re-elected last June, will defend the interests of 320 million Europeans. The Group of the European People's Party (Christian Democrats), with 121 Members from the 12 Member States, will be present at Strasbourg to ensure that the cause of European Unity is advanced.

The Group of the European People's Party in the European Parliament unites Europe's Christian Democrats

Solidarity and effectiveness

EPP member parties are: Fine Gael (Ireland), Centre des Démocrates Sociaux (France), Centro Democrático Social (Portugal), Christlich Demokratische Union (Germany), Christlich Soziale Union (Germany), Christlich Soziale Volkspartei (Luxembourg), Christelijke Volkspartij (Belgium), Christen Democratisch Appel (Netherlands), Democrazia Cristiana (Italy), Partido Nacionalista Vasco (Spain), Partii Social Christian (Belgium), Nova Demokratin (Greece), Unió Democràtica de Catalunya (Spain).

FINANCIAL TIMES SURVEY



The extraordinary performance of the Thai economy continues to defy belief. As Roger

Matthews reports, there is little talk of soft or hard landing. Instead, such is the momentum generated in recent years that Thais forecast continued strong growth until 2000

Confounding the sceptics

THAILAND and its economy continue to defy gravity. While much of the industrialised world worries about hard or soft landings, Thailand remains not just airborne but still climbing and at such a steep angle that it could even achieve this year or next the accolade of the world's fastest-growing economy.

Once again many analysts and economists have this year been proved wrong about Thailand, much as they were about the previous 12 months. Last year was supposed to be when Thailand hit the wall. It did not seem possible, to most non-Thai forecasters, that 11 per cent growth could be squeezed out of an economy with such an overstretched infrastructure. And if it did not seem possible last year, then 1989 certainly had to be a year of consolidation, of a more comfortable 5 per cent to 7 per cent growth.

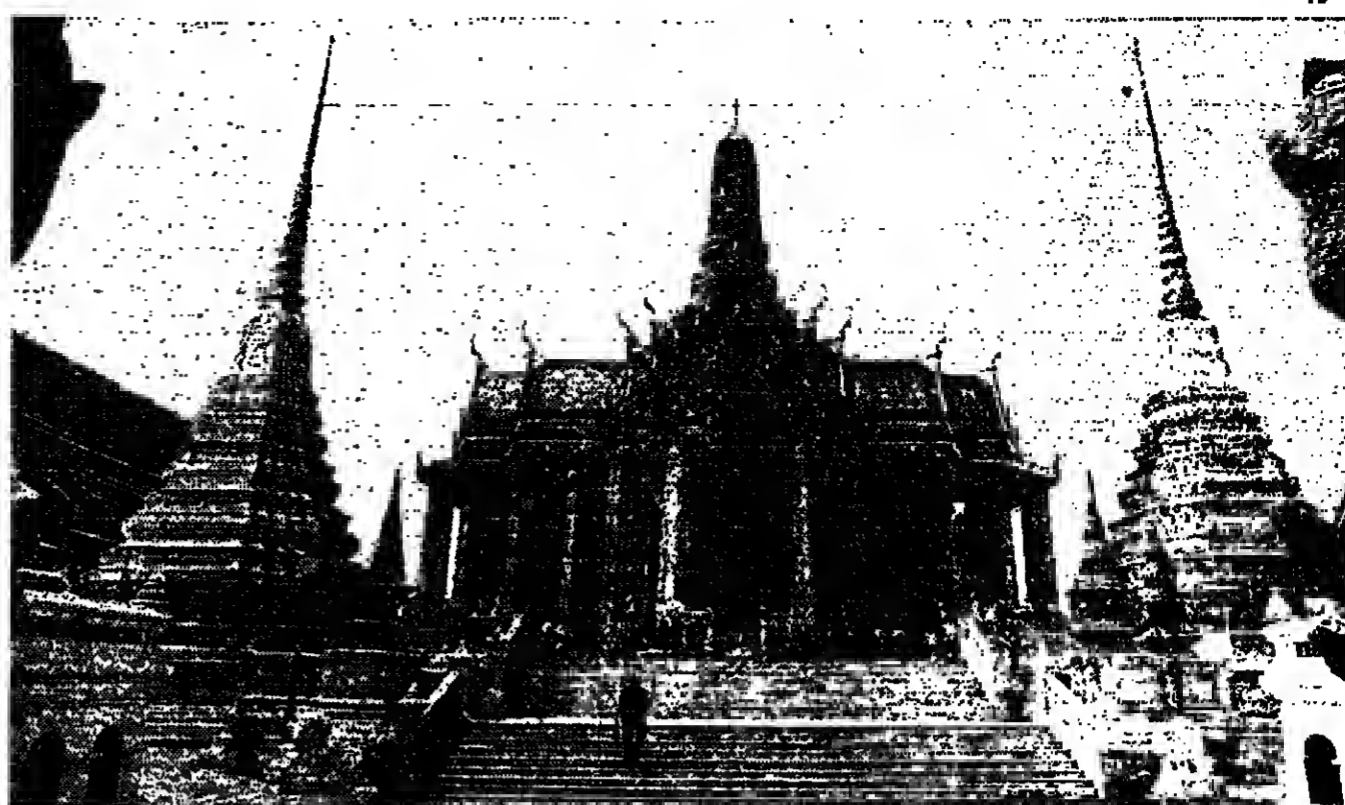
Instead, latest forecasts are for another year of double-digit growth in gross national product and predictions for 1990 are already in the 9-10 per cent range which should put Thailand beyond the reach of most competing economies, even those in Asia. During the life of the sixth five-year plan, which

concludes in 1991, it is being confidently predicted that annual growth will have averaged close to 8.5 per cent, an extraordinary achievement.

It has also helped to create a platform and a momentum which most Thai planners believe will keep the economy moving ahead strongly until 2000, albeit at a slightly more modest rate of around 7.5 per cent a year.

Thailand may be fortunate in that ideology plays a minor role in national life. The country changes governments but not systems, allowing a continuity of policy and attitude tempered mainly by individual style. During the latter part of the 1970s and for most of this decade, under the rather austere premiership of General Prem Tinsulanonda, ministers and politicians followed broadly the macro-economic guidelines provided by the often western-educated intellectual elite of the civil service.

It was to Thailand's credit that in August 1988, a popularly elected prime minister took charge of government for the first time in more than 12 years, but at the same time it has imposed new strains on the delicate four-way balance between monarchy, military,



Temple dancers (above left) and the temple at the Royal Palace in Bangkok: such attractions have proved a boon for the country's tourist industry, which is now by far the largest single source of foreign exchange

THAILAND

politicians and civil service.

The present government coalition under General Chai-Chai Choonhavan, in spite of cynical warnings that during its presumed brief existence the cabinet nest would become the best featured in modern Thai history, initially dumbfounded its critics. It proved popular, relatively sure-footed, and not overly rapacious.

However, latterly it has appeared to lose its sureness of touch. In early November, General Chai-Chai was at first dismissive of the awful impact of a typhoon which hit the south of the country, but with the death toll rising towards 500 was forced to recant, pay a belated visit to the worst-hit areas, and then to postpone a high profile foreign trip to the US. His initial indifference to the disaster provided a field day for his critics and for those who are assumed to covet his job such as the army chief, General Chavalit, who regularly stirs the political pot with talk of his impending retirement from the military.

This prime ministerial gaffe came hard on the heels of a setback for General Chai-Chai's highly individualistic foreign policy which, with a resumption of fighting in neighbour-

ing Cambodia, looks increasingly unlikely to deliver his stated ambition of transforming Indochina from a battlefield into a trading zone, with Bangkok as its hub.

General Chai-Chai's courtship of Mr Hun Sen, the Vietnamese-backed Prime Minister of Cambodia, which was opposed both by much of his own Foreign Ministry and by several members of the Association of South East Asian Nations, may, according to his detractors, have played directly into the hands of Vietnam and thus further delayed any prospect of a durable settlement in Cambodia. They complain that the wrong signals were sent to Hun Sen and Hanoi just at a moment when continued international pressure might have persuaded them to make real concessions to the non-Communist Cambodian resistance.

Thailand, meanwhile, also allows its territory to be used for the supply of mainly Chinese weaponry to the Khmer Rouge, Hun Sen's most avowed enemy. Its recent successes on the battlefield have aroused some of the western world from its slumber as to the reality and hypocrisy of the international politics surrounding

the Cambodia issue.

Thailand's support for the unpopular military regime in Burma is similarly based on this dual consideration of where Bangkok's commercial and political interests best lie. In the case of Rangoon, the Thai government would not want to see the civil strife leading to a refugee problem rivaling that on the Cambodian border, while at the same time it is not difficult to appreciate the benefits being generated by the forestry and fishing deals extracted from a near-bankrupt Burmese regime.

But, just as the international investment community appears largely to have discounted whatever threats are posed by Thailand's neighbours, so too does it appear to have discounted what seems to the non-Thai eye as the huge domestic structural adjustments which will have to be made.

Bangkok and its surrounding provinces are an example. To the blinkered westerner it is congested, polluted, overcrowded and crying out for an immediate ban on further development. To some Thais it is still an under-utilised facility. Not entirely tongue-in-cheek, one economist

pointed out that there are still large areas of Bangkok pavements which do not support entrepreneurial activity. While the traffic is appalling, motorists have yet to explore all alternative routes.

Such attitudes help to explain why Bangkok and its environs now produce 50 per cent of Thailand's GDP and why, in spite of efforts by government promotional agencies to attract new industries to other parts of the country, the regional imbalances are continuing to widen.

For those who insist on pigeon-holing countries, however misleading the exercise, it is arguable that Greater Bangkok with a GDP per capita of about \$2,600 has already achieved the status of a newly industrialised country (NIC). For the rest of this newly agro-industrialised country, the picture is far different. The north-east, for example, which is home to 35 per cent of Thailand's population, has a per capita GDP some 60 per cent less than that of Bangkok. For those people, talk of NIC status is laughable and will be for a very long time to come.

These statistics also help to illustrate how challenging it will be in the 1990s for Thai-

land to narrow the skills gap which is fast emerging. Given that some 66 per cent of Thai employment is in agriculture and that many farmers live close to - and sometimes below - the poverty line, and that there is also a substantial body of urban poor, all too few children remain at school beyond the primary level.

It is less than one-third of the levels of South Korea and Taiwan, and half that of Malaysia. At the tertiary level the regional imbalances are more balanced, but Thailand's tendency to produce more arts graduates than scientists and engineers will have to be corrected if the government wants over the longer term to limit the number of expatriates being brought in by foreign companies investing in Thailand.

While the absolute number of foreign investment applications to the Board of Investment has fallen, the overall value of pledged commitments has increased. In crude commercial terms, which is how the rest of the world often seems to be viewed officially from Bangkok, events in China provided a double dip. First, revulsion at Tiananmen Square will slow the pace of foreign investment in the

semi-skilled manufacturing sector where the Chinese were beginning to set the Thais an increasingly tough challenge. Second, there is evidence that Hong Kong-based companies are more than ever looking to Bangkok as an alternative manufacturing base.

There is also a growing sense in Bangkok that, in terms of long distance running, Thailand has broken away from the Asian pack trailing Hong Kong, Singapore, South Korea and Taiwan. The momentum it has now achieved should, according to several Thai economists, take it past Malaysia quite quickly, while widening the distance with Indonesia and the Philippines to such an extent that their comparative wage advantages will be of much less importance.

The danger, of course, with so much unbridled optimism is that it creates unrealistic expectations, tempts the gambler and encourages the greedy. Any repeat of the 1986-88 recession, the political repercussions of which are still being felt in neighbouring Malaysia, would prove even more testing in Thailand where democratic accountability has yet to put down firm roots.

Wheeling and dealing around Asia? Start at the hub.

City	Flights per Week
KATHMANDU	4
DELHI	5
CALCUTTA	3
DHAKA	3
COLOMBO	3
YANGON	3
PRUKET	51
PENANG	9
SINGAPORE	12
JAKARTA	17
HAT YAI	28
MANILA	2
HANOI	2
TAIPEI	15
OSAKA	11
NAGOYA	14
TOKYO	14
SEOUL	14
BEIJING	14
CHIANG MAI	14

Planning a business trip to Asia? It makes good business sense to focus on Bangkok. Thailand's economy is booming. And Bangkok's unique geographical position at the centre of Asia makes it the perfect starting-off point. It is also home base for Thai International, so we have more flights in and out of there than any other airline. If you're wheeling and dealing in Asia, fly with Thai - the best airline around. Thai. Centuries-old traditions. Innovative thinking. State-of-the-art technology.



THAILAND 3

Peter Ungphakorn on a PM accused of ignoring domestic troubles

Peter Ungphakorn reports on the battle over monetary affairs

Casual approach backfires

Open dissent as dispute over interest rate policy worsens

In November, Typhoon Gay devastated broad strips across the southern peninsula of Thailand and the country's first elected Prime Minister in more than a decade, General Chatchai Chooakavan, walked into a storm that could mark a turning-point in his government's fortunes.

Hundreds died, thousands were left homeless, and entire rubber and coconut plantations were flattened. As relief operations began, General Chatchai was seen on television visiting his north-eastern constituency of Nakhon Phanom, taking delivery of a multi-million Baht luxury coach manufactured locally. He was seen for himself.

His first visit to the disaster area, a day later, was to a district that had only suffered minor damage. On camera, he played down the seriousness of the situation. Fewer people had been killed, he said, than in the murderous floods a year earlier that had sent long, mazy trails of people slipping down mountainsides, and through the villages below. So, there was little to worry about, General Chatchai said, adopting the "no-problem" response that has been the hallmark of his public comments.

The next day, thousands of bereaved and homeless southerners demonstrated spontaneously on what was left of the main highway, blocking an effort to a military relief convoy led by the wife of the army chief.

General Chatchai was summoned to the palace in Bangkok for an audience with King Bhumibol Adulyadej. What transpired is not known. But subsequently, he cancelled an important visit to the US and made several more effective visits to the south. Some of the damage to the Prime Minister's image caused by this excessive use of his "no-problem" philosophy may have been repaired. But the episode is not forgotten, and it represents the first serious blemish in the Thai public's perception of their Prime Minister 15 months after he took office.

Critics are now starting to accuse General Chatchai and his advisers of being insensitive to domestic troubles, and preoccupied with Cambodia and other diplomatic issues. A serious rift has developed



Altogether General Chatchai with China's Deng Xiaoping

between the Prime Minister and his Foreign Minister, Air Chief Marshal Siddhi Savetala, leader of the second largest coalition partner, the Social Action Party.

In late November, Air Chief Marshal Siddhi announced he would no longer be involved in Cambodia-related diplomacy because of General Chatchai's dominating interest in the issue, and greater willingness to compromise with the Vietnam-backed regime in Phnom Penh. Other S.A.P. Ministers are making similar disclaimers over troublesome issues that could embarrass Prime Minister's Chai Thai Party.

The typhoon episode also brings together other key elements that could be crucial for Thailand's political future: the army and the King. It suggests a weakness in the way General Chatchai is advised, a key issue for this Government which has contributed to the rift with the foreign minister. And it comes at a time when Thailand's democratic reputation could be dented because of a ban on the Asian Wall Street Journal and threatened actions against the Far Eastern Economic Review and the Economist, as well as two Thai dailies.

Another domestic concern regards the future intentions of General Chatchai Yonchayudh, the Army Commander in Chief, and Acting Armed Forces Supreme Commander.

General Chatchai recently repeated his intention to retire early. But most observers are convinced he intends to enter

the political fray with his sights set on becoming prime minister. The only doubt seems to be whether he will form his own party or join an existing one. He has been making a number of wall-to-wall news statements on a range of topics, including corruption in the government.

The two army television stations lost no time in stressing General Chatchai's personal role in mobilising the military relief efforts after Typhoon Gay.

General Chatchai's criticisms of corruption echo a growing concern expressed in Thai and foreign business circles, where questions are also asked about military probity. Where once kickbacks were tolerated as a form of "commission" that would have little effect on Thailand's dramatic economic growth, serious questions are now being asked about the way large government contracts are awarded and about alleged nepotism behind investment promotion or protection decisions.

Whereas the previous Prime Minister, General Prem Tinsulanonda, was reputedly clean, did not have to stand for election, and therefore could afford to curb the appetites of some of his ministers, General Chatchai is not seen as a leader capable of exercising the same restraint.

The behaviour of ministers is the obvious outcome of the electoral process. In Thailand's military dominated politics, voters have never been trusted to make choices based on poli-

icy, and although the system is freer than during the harsh anti-left period of the late 1970s, personalities and influence are the key to politics.

Voters vote according to personal contacts. They choose the candidate who is supported by their relatives or neighbours because personal connections are often the best way to solve problems with officials or to bring roads, bridges and wells to a community.

Candidates express their gratitude by paying voters money. Vote-buying is illegal, but rife. The same relationships extend to the national assembly and influence cabinet appointments. Some ministers, who even admit privately that they take kickbacks, claim they are simply replenishing party funds, but they are also very rich, often from other activities of varying legitimacy. Party leaders are dependent on the party financiers, and so long as voting behaviour remains unchanged, the system will be difficult to alter.

If the military intends to seek a return to power, it would justify its actions by pointing to graft and the rising cost of living. But, although army officers still see themselves as the best equipped to run the country, the corruption that used to be a perennial feature of Thai politics have not been heard for months. Thai public opinion is becoming increasingly opposed to military rule.

Yet with a strong economy, public dissatisfaction with the Government appears, therefore, little more than habitual moaning, and electoral government - if not always in the spirit of democracy - is becoming increasingly entrenched in Thai society.

Income disparities could become a more serious issue, if, as appears likely, world prices of Thai agricultural exports start to fall and affect the recent rural prosperity. Quietly watching behind the scenes is King Bhumibol Adulyadej, now 82, who in recent years appears to have nudged Thailand's political leaders in increasingly stable and democratic directions. This is a monarch who subtly caring about the welfare of the people.

BANKS are no longer big news in Thailand. In the middle of this decade, government rescues and takeovers provided running - and sometimes sensational - stories in the business pages of the newspapers.

Central bank and finance ministry officials are still watching carefully some of the banks and finance companies in trouble during those years of recession. But recent rapid expansion has eased bad debt problems.

At the end of September the banking sector had grown faster over the previous 12 months than at any time in the past five years. It expanded by about 22 per cent to Baht 1,351bn for assets and Baht 1,072bn for deposits. Lending had expanded by 24.5 per cent and net profits were up 38.2 per cent at almost Baht 5 trillion (million million).

The news is now about the battle between the Finance Minister, Mr Pramual Sabhavasit, and the Bank of Thailand over monetary policy. The central bank wants to raise the present 15 per cent ceiling on loan interest rates in order to curb inflation. Mr Pramual has allowed interest rates to float on fixed term deposits but appears loath to take any action that would hurt borrowers and argues that the present rate of inflation is not serious and will soon fall.

After 15 months in a position sceptics feared might be beyond his capabilities, Mr Pramual has successfully kept government finances in rein to the extent that planned budget deficits are smaller and, by the end of the last fiscal year in September, the government actually emerged in surplus.

But Mr Pramual has revealed an impatience with dissent. As a result, Bank of Thailand officials cannot remember when relations with a finance minister were worse. Some have taken to re-reading the rule books only to discover that many areas of monetary policy and financial institution supervision that they once assumed were the independent domain of the central bank, actually require Mr Pramual's approval.

Deprived of the power to raise interest rates, the central bank can only ask for commercial bank co-operation in curbing the growth of lending in order to keep money supply in check.

But the rift is bad news for those who believe that Thailand's present economic strength provides an opportune moment for some fundamental reforms of the banking system. The Bank of Thailand is said to have its own blueprint for reform, but Mr Pramual would have to endorse the plans and no one is in the mood to risk another row with him for the present at least.

Among the issues being discussed are: whether banks

affiliated manufacturing and trading companies are already causing concern about concentration of ownership and finance.

Either way, legislation on banks and finance company licensing would be needed. At present, for example, finance companies, many of which have stock-trading licences, can issue promissory notes, but cannot take "deposits" or make financial transfers.

One approach to universal banking would be to blur the distinction between the 29 Thai and foreign commercial banks and the scores of finance companies. Another approach

of serious trouble, to become nationalised and then merge with state-owned Krung Thai Bank) would be the most likely route. Several medium-to-small sized banks are already co-operating in loan syndication or issuing joint credit cards. But finding a suitable partner, harmonising accounts and finding the will to merge is an entirely different affair.

Although the central bank would like to encourage commercial bank mergers - and, again, the possibility of foreign banks being involved is also mentioned - some officials say that controlling families would be reluctant to give up their power.

In spite of a policy designed to diversify ownership, even Bangkok Bank and the Thai Farmers Bank remain in the control of their founding families (Soponpanich and Lam-sam, respectively). Meanwhile, with apparently fewer bad debts to monitor, commercial bank supervisors in the Bank of Thailand are revising rules on capital adequacy, drawing ideas from the Basel Committee's agreement reached under the auspices of the Bank for International Settlements.

Thailand has not endorsed the agreement, but officials are considering variations on the agreement's theme, including a scale of risk weightings for various types of assets instead of the present zero to 100 per cent weights, and redefining "capital" so as to include a category for loan instruments whose yields are more closely related to the bank's profit than to interest. The present requirement for capital to cover 8 per cent of assets would remain.

Also being considered are tighter consumer protection rules to cover credit card and automatic teller machine cards. Credit cards are being aggressively marketed now. But officials see little chance of legislation on any of these issues being introduced into parliament for at least a year. Across town, in the finance ministry, Mr Pramual keeps everyone guessing as to which new foreign banks will be allowed to join those already in Thailand. But Mr Pramual is not noted for his predictability.

The rift is bad news for those who believe that Thailand's present economic strength provides an opportune moment for reform of the banking system

should be encouraged to specialise; how the smaller of the 15 Thai banks can survive in a system dominated by the big four; and new rules to determine how much capital banks should have to cover risky assets.

At the end of September, out of total banking assets of Baht 1,351bn, Bangkok Bank had Baht 384.7bn, state-owned Krung Thai Bank Baht 200.8bn, the Thai Farmers Bank Baht 188.7bn and Siam Commercial Bank Baht 125.4bn.

A related question, and one that appears more often in the press now, is whether more foreign banks will be allowed to join the 14 that already have branches - usually one each - in Thailand. This has become the personal territory of Mr Pramual and questions are being asked about the criteria he is using to reach a decision. Few are willing to bet on the outcome.

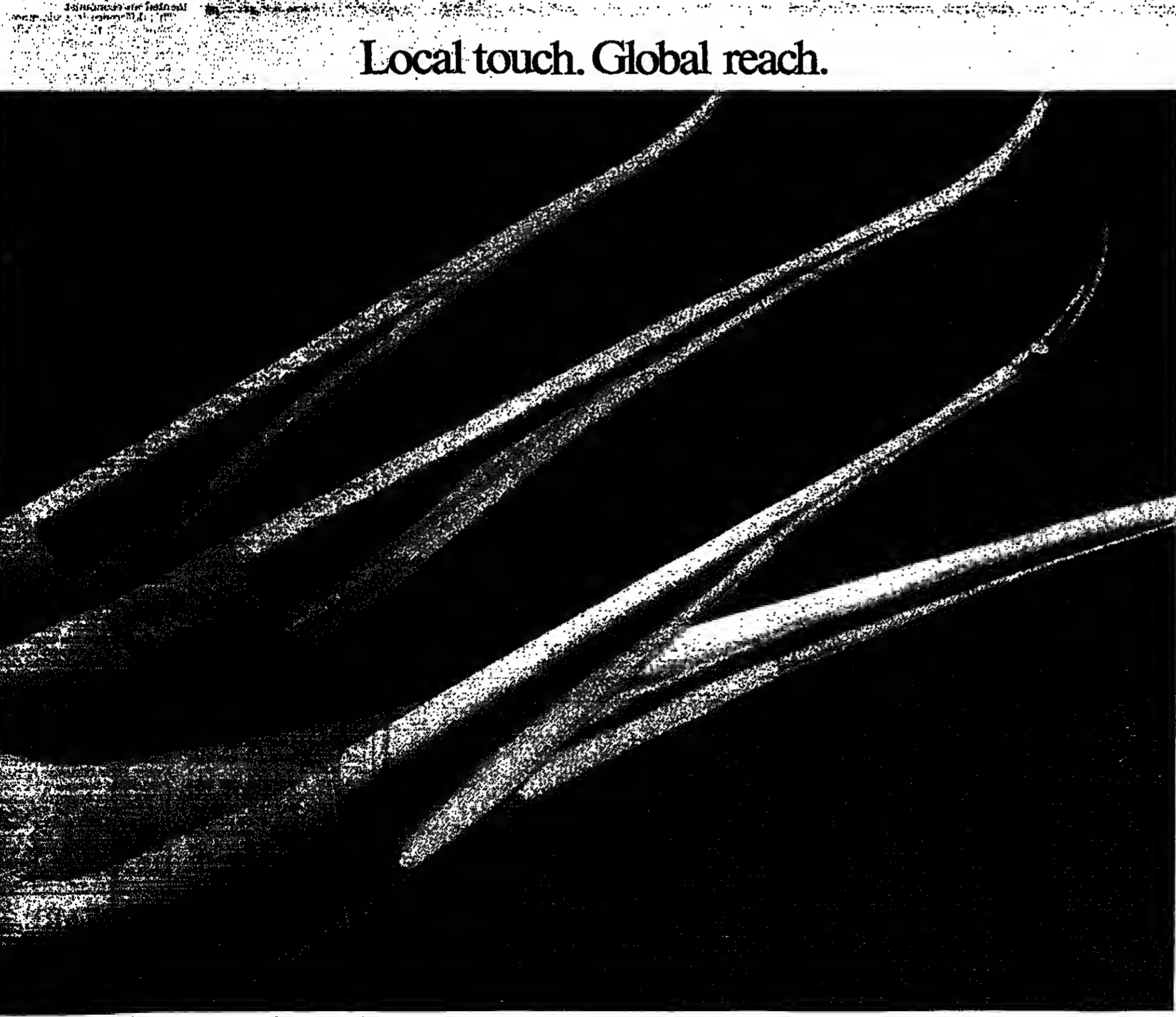
The Bank of Thailand tends to favour "universal banking" because of the flexibility and diversity of operations. Many commercial bankers agree. The most difficult question is whether this would allow banks to trade in securities, an area where even those in favour of universal banking often draw the line. The close links between the banks and

would be to encourage the finance companies to concentrate on fee-earning - rather than interest-earning - activities. Some of the larger finance companies, particularly those affiliated to the bigger banks, are already said to be poised to move into genuine retail banking, although their high profitability is mainly the result of securities trading during the recent bullish stock market.

But one of the concerns of the Bank of Thailand would be how to help the many weaker finance companies survive in the face of competition from the large banks. Merger, or takeover - perhaps with a foreign bank seeking a route to the Securities Exchange of Thailand or bourse points that might help the bank acquire a branch licence - is one favoured solution. Even without a significant redrawing of the lines, some foresee a shake-up in the next few years, at least among the lower ranks of the Thai commercial banks.

One Thai banker, for example, believes that within 10 years, and probably sooner, the number of Thai banks will have to fall because the smaller banks will not be able to remain competitive.

So long as the Bank of Thailand refuses to allow banks to fold, a merger (or, in the case



Local touch. Global reach.



In Thailand since 1888. The country's first commercial bank. To make the most of opportunities in this exciting, progressive nation, you need a bank with generations of experience in the market. And insight into that market's future.

For a hundred years HongkongBank, which issued Thailand's first banknotes, has been giving businesses the benefit of its extensive knowledge of the Thai market. This knowledge, together with a proficient management policy, has enabled it to make fast local decisions.

With over 1,300 offices in 50 countries, linked by our private communications network, the HongkongBank group can provide you with access to market information in Thailand or anywhere in the world.

For more information, contact our Bangkok Office at HongkongBank Building, 64 Silom Rd., Bangkok 10500, Tel: (2) 223-1904; our London Office at 99 Bishopsgate, London EC2P 2LA, Tel: (01) 638-2366; or your nearest office of the HongkongBank group.

Generations of local excellence. And global resources. That's our strength.



HongkongBank

The Hongkong and Shanghai Banking Corporation Limited

Marine Midland Bank • Hang Seng Bank
The British Bank of the Middle East • Hongkong Bank
of Australia • Hongkong Bank of Canada
Wardley • James Cagel • CMAH
Equities Bank

Carlingford and Gibbs Insurance Groups

Fast decisions. Worldwide.

CONSOLIDATED ASSETS AT 30 JUNE 1989
EXCEED US\$124 BILLION.

THAILAND 4

Peter Ungphakorn on foreign participation in domestic economic development

Investment slowdown just a small blip

AFTER an exceptional year in 1988, foreign investment in Thailand appears to be slowing down to more normal but still healthy levels.

In the first nine months of this year the Government's Board of Investment approved 906 projects envisaging total investment of Baht 206.7bn, a growth of almost 40 per cent over the corresponding period in 1988. But applications, which may take a year to process, only rose by 6 per cent in value.

Two reasons are given for the slowdown. Investors are said to be concerned about infrastructure congestion caused by economic growth in the past three years that has exceeded all expectations.

Officials point out that applications for tax holidays and other promotional privileges doubled last year to more than 2,000 projects. This year's total is expected to return to more normal trends, about 1,200 projects. In 1987 there were 1,057 project applications.

But behind the aggregates lie some fundamental changes in the nature of investment in Thailand, at least as far as projects seeking promotional privileges are concerned.

In the first nine months of this year the number of applications fell by 41 per cent to

843 projects. But their value grew by about 6 per cent to Baht 294.5bn.

The fastest growing category was for projects worth Baht 1bn or more. Among the applications, a larger proportion - 52 per cent as against 45 per cent a year earlier - were joint ventures involving Thai and foreign partners. The focus seems to be shifting to larger projects such as big hotels, electronics and machine parts manufacturing.

Of the applications, Japanese projects continued to lead with 150, followed by 104 European, 89 from Hong Kong, 89 US and 134 Taiwanese projects. South Koreans have started increasing their investment in Thailand as part of the relocation from "the Four Tigers," but still at a much lower level. The South Koreans are said to favour Indonesia whereas the Taiwanese prefer Thailand and Malaysia.

The Government has continued to sweeten some terms for foreign investors, including easier requirements for foreign investors, experts and technicians seeking permanent residence. But the privileges offered for projects in Bangkok and neighbouring provinces are no longer so attractive. Investors are moving further afield, some to the north and

south, more to the north-east. But the majority are heading to the Eastern Seaboard where a new deep sea port and industrial estate are under construction at Laemchabang, and a natural gas-based petrochemicals complex is coming on stream at Mab Ta Put.

After a period of austerity, the government's increased revenue now allows for more investment in infrastructure, often with greater private sector participation. By 1995, for example, the Telephone Organisation of Thailand intends to nearly double the present 2.2m lines.

The private sector could participate in port management and highway construction and operation. According to one sensitive industry estimate, the size of Thailand's petrochemicals market could rise from Baht 67.5bn (6.5 per cent of gross national product) in 1988 to Baht 233.5bn (10 per cent of GDP) by 1995. The petrochemicals complex under construction at Mab Ta Put, where gas from the Gulf of Thailand is piped ashore, would be able to meet some of this demand, supplying the textiles, plastics, toy, packaging, engineering and machine tools industries.

Transformations are expected as a consequence in state

enterprises such as the Petroleum Authority of Thailand and the oil refining Thai Oil Company, private sector companies, such as the agro-industry group, Charoen Pokphand, textiles giant Saba Union and the Siam Cement Group, and multinationals such as Shell, Exxon and KIL.

The fear is that if there is a downturn in world markets the Government may not be able to resist pressure to protect domestic production. Public pronouncements clearly state that there will be no protection.

Yet, in spite of complaints about the high cost of locally assembled cars and trucks, the motor industry still enjoys protection dating back to the import substitution policies of the 1950s and 1970s. Protection is also maintained for the cement industry in spite of high construction costs.

Battles are being fought over permission to allow new investments in steel rolling and glass production with suggestions that decisions are not always based on economic criteria.

None of this seems to affect the majority of investors whose projects receive approval routinely, particularly if large proportions of production are for export.

Growing political concern about corruption does not appear to have affected investment either. Indeed, the domestic political situation has rarely been a factor in foreign investment decisions. Board of Investment officials say they are hardly ever asked questions about political stability. Investors are more interested to know about economic overheating and whether Thailand still wants more foreign capital. The Government is still campaigning for more investment and the public shows little concern for what might once have been a fear of economic domination.

Looking beyond the Eastern Seaboard the Government has unveiled plans for a "land bridge" crossing the southern Isthmus and consisting of an oil pipeline, railway and highway. The objective is to offer an alternative to the three shipping routes between the Middle East and the Far East through south-east Asia, bypassing Singapore.

The World Bank also keen to invest in Thailand and recently edged out by softer Japanese loans, is studying the project carefully. The Thai Government has asked the Bank for a \$1.5m loan to help draw up a master plan for the project which would be part of

a new Southern Seaboard Development Programme.

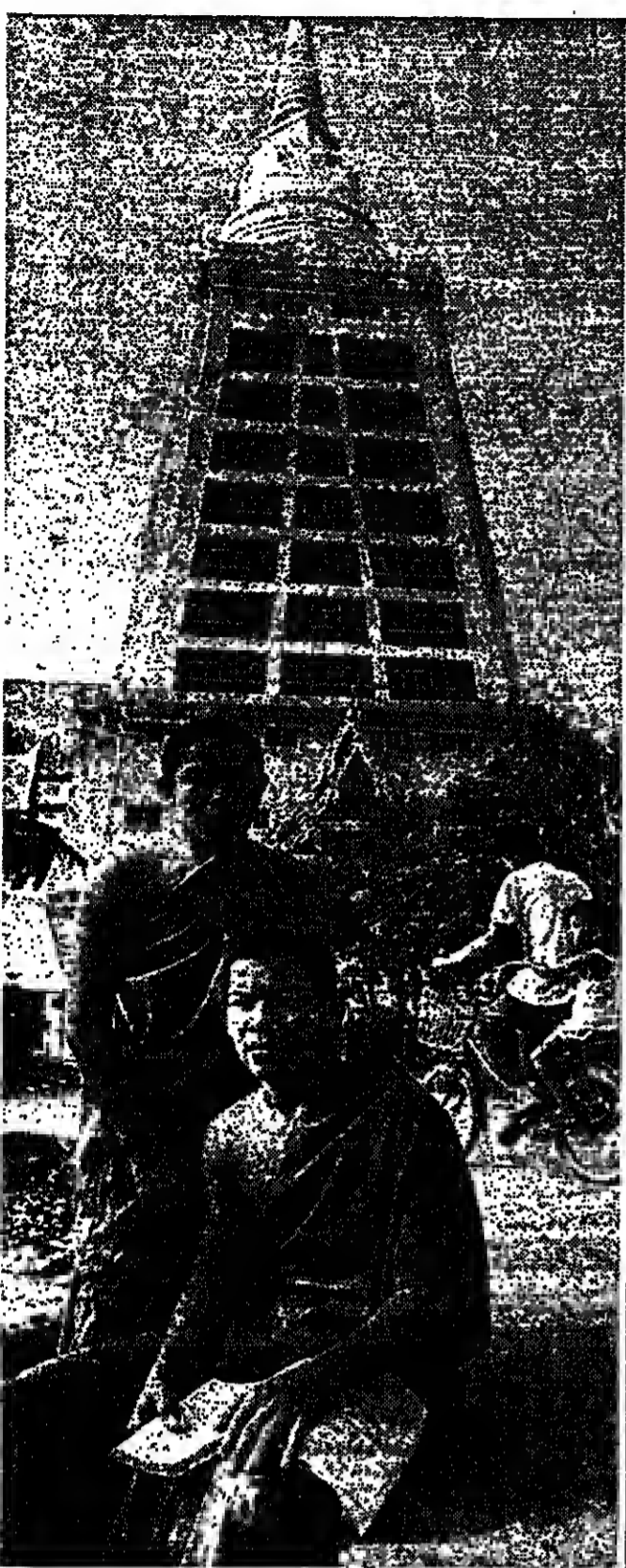
The 180 km link between the Andaman Sea and the Lower Gulf of Thailand would cut between 500 km and 2,700 km on routes between the Middle East and the Far East, depending on whether ships travel through the Malacca Straits or through the Indonesian islands.

The Government says that Washington has offered \$1m for a feasibility study and Japan has offered additional funding.

"Thailand is heading for a new position in world trade, moving from a traditional exporter to a new centre for world trade and international shipping," says Dr Savit Bhotvithok, director of the Office of Southern Seaboard Development.

Sceptics consider such claims a trifle exaggerated. Dr Savit supervised the Eastern Seaboard Programme which is now generating much interest in spite of fears that it was over ambitious.

But the Eastern Seaboard with its on-site production and large proportion of domestic investment, perhaps offers a different picture from a southern transportation link that would primarily be used by international shippers.



Young Buddhist monks at Dhammongkol temple at Phrakhanong; the high-rise temple boasts the works of Buddha on computer, used to train the 400 resident monks

Strong domestic demand has driven the stock market, writes Roger Matthews

Caution urged as index rises relentlessly

ON NOVEMBER 16 the Securities Exchange of Thailand index surged through the 750 mark to confound most analysts who, although expecting a bullish year with the index kicking off at 398 after a disappointing 12 months compared with other regional exchanges, would not in their wildest dreams have predicted a nearly 100 per cent gain before the end of the year.

In part, of course, the buoyancy reflects Thailand's economic fundamentals and the appreciation domestically and internationally that the country might be capable of sustaining high growth rates for an extended period. It also reveals the weight of foreign institutional buying, but most brokers say that, above all, the market has been driven by domestic demand, in particular for shares in companies involved in the construction boom.

Dr Marney Phadoongsidhi, president of the SET, has several times during the year warned investors not to be too impressed by what he described as "fake" increases in the index, a reference to the disproportionate influence exercised by a single stock. For example, Siam Cement alone accounts for about 14 per cent of the market's capitalisation and, with the construction industry enjoying rapid growth and materials in short supply, the demand for the company's



Dealers on Thailand's stock exchange where bullish trading has reflected the country's buoyant economy. The authorities have, however, urged investor caution

shares has provided a strong impetus for the market throughout the year. It is also worth noting that Siam Cement's consolidated profits for the full year are likely to be up by about 67 per cent.

Some brokers are similarly urging investor caution as they witness shares in much lesser companies with more doubtful

managements and markets being chased up in the wake of the blue chip surge.

Apart from the universal Pled Piper effect of a bull market, Thailand is also handicapped by the relative paucity of information available to investors and by the still infant state of the research industry. It is unquestionably

improving, but in a country where until recently it was illegal publicly to advise selling a particular share, a great deal of work has to be done before standards approach those in more mature markets.

As a result the Thai investor tends to be less well served than the foreigner and this in part explains the often large

premium at which foreign-owned shares trade. "It is very simple. The foreign investor can see many things that the local can not. He may have better information about the company, about the markets it is competing in, and about its value relative to those offered elsewhere. As a result a share which is worth Baht 500 to a Thai may well be cheap at Baht 1,000 to a foreign investor," explained a broker.

Two members of each board have personally to sign every share document, which, if it is a large issue, can amount to half-a-million signatures.

An extension of trading hours can also be anticipated in the new year, perhaps doubling the present two hours from 9.30am-11.30am, together with the first moved together a

What is most needed to cool the overheating of the market and provide better measures of value is simply more stock

computerised dealing and settlement system. Getting to the board at the moment requires physical bulk and traders in the most active stocks tend to be rather large men.

None of which should be allowed to detract from the fact that third quarter earnings for the 95 leading listed companies, which account for 71 per cent of the market's total capitalisation, revealed a 60 per cent increase over the same period in 1988. All sectors seem to have benefited, some more spectacularly than others. Smaller banks have generally done better than their larger brothers, while the huge surge in tourist arrivals and the consequent increase in room rates can be seen from Bangkok's number one hotel, the Oriental, where profits were up 75 per cent on a year ago.

And if the strong growth in the economy continues in 1990, corporate earnings may well maintain this year's performance with domestic demand suggesting increased interest in consumer-oriented companies. However the voices of caution are also getting louder and it may well be that a significant correction could take place before the market resumes its upward path.

We have a view on Thailand every day.

(From 313 Silom Road, Bangkok.)

Hoare Govett's Bangkok office takes a long, hard look at Thailand each day. Our research on the Thai stockmarket and economy is required reading for Hoare Govett clients around the world. Our investment recommendations carry with them an authority which comes from being on the spot. And we pride ourselves on being in a position to secure the very best distribution and placing power.

To find out more about us and about Thailand, contact George Morgan at Hoare Govett Investment Research Limited 4/F CP Tower Building, 313 Silom Road, Bangkok 10500, Thailand. Tel: 66 2 231 0370/5. Fax: 66 2 231 0376/7.

Or telephone Peter Bristowe at Hoare Govett International Securities Limited in London on 01-374 1258.

BANGKOK · HONG KONG · KUALA LUMPUR · LONDON
MELBOURNE · NEW YORK · SEOUL · SINGAPORE · TAIPEI · TOKYO

Hoare Govett Investment Research Ltd and Hoare Govett International Securities Ltd are Members of The Securities Association.



BUSINESS SOFTWARE

A selection of software packages to suit your business needs appears every Saturday in the WEEKEND FT.

Order your copy today.

HOTEL MERIDIEN PRESIDENT BANGKOK

The perfect location

At the centre of bustling city life in exciting Bangkok, Le Meridien President. A luxurious international hotel with impeccable Asian service.

Experience the charm of Thai hospitality in the perfect location.

Le MERIDIEN PRESIDENT BANGKOK

TRAVEL COMPANION OF AIR FRANCE

Information and Reservations: in London (01) 439 12 44, in Paris (1) 42 56 01 01, in Frankfurt (69) 23 91 11.

Le Meridien President
135/26 Gayorn Road - Bangkok 10500 - Thailand
Tel: (66-2) - 253.04.44 - Telex: 20874

THAILAND 5

Peter Ungphakorn reports on Washington's attempts to prise open the Thai market

US steps up pressure for more open trade

THAIS ARE surprised by the apparent ingenuity of the US in continually devising new areas of trade conflict.

In 1988 there was a US bill, eventually defeated, to limit textiles imports. In 1989 the US Farm Act introduced a rice subsidy designed to reclaim for the US world market share. In 1987 and 1988, US pressure for Thailand to tighten protection for copyrights, trade marks and pharmaceutical patents was coupled with a threat to drop Thailand from import duty exemptions offered to developing countries under the US Generalized System of Preferences.

The US partly solved the problem by signing the Berne Convention and automatically bringing American works under Thai copyright law (Bangkok had signed the Berne Convention several years earlier.) But Thai resistance on pharmaceutical patents meant GSP privileges were withdrawn from a handful of imports from Thailand.

Now, under section 301 of the US Trade Act, which threatens allegedly protectionist states with trade sanctions, Washington has placed pressure on Thailand to open its markets to US cigarettes. Thai law says Bangkok should not give way because the Americans will continue to find fresh complaints and will end up running Thai trade policy.

Government officials in Bangkok tend to prefer conciliation, arguing that many of the measures sought by the US are, in any case, needed in Thailand. The Americans wonder what all the fuss is about. Thai exports have, after all, continued to thrive, growing an estimated 27 per cent to Baht 513bn by the end of this year, with about 20 per cent going to the US.

and distributor of cigarettes. The US Cigarette Exporting Association, representing American tobacco companies, has asked the US Trade Representative, Mrs Carla Hills, to penalise Thai exports if American cigarettes cannot be sold and advertised in Thailand.

Similar moves in South Korea and Japan have succeeded in prising open those markets. Some Thais and Americans wonder how much of a market share the American companies would gain from liberalisation. US cigarettes are immensely popular in Thailand and are freely available on the black market.

US companies counter that legitimising the trade would allow the Thai government to collect in tax the extra profits the black marketers and their protectors are now earning. But legitimising trade is only part of the campaign. The US companies are also interested in setting up cigarette manufacturing, probably in partnership with some of the powerful tobacco curers in the north. This would allow them to determine how much Virginia to import as well as giving them access to the locally grown varieties.

The Americans are also demanding freedom to advertise. The Thailand tobacco monopoly does not advertise at all. TV ads are banned but, not long ago, a travel agency bought airtime to screen cowboys galloping around in golden sunlight and to invite Thais to visit "Marlboro country" (the well-known advertising slogan for Marlboro cigarettes). Government persuasion stopped these as well as more recent and more explicit ads in newspapers.

Some, including an American lobbyist working in another product sector, believe the US demand to permit advertising is a mistake. Anti-smokers in the health ministry and elsewhere in Thailand, and on Capitol Hill in Washington, are particularly incensed.

Mrs Hill still has five months to consider the cigarette request. Meanwhile, the US has kept Thailand on a "priority watch list" under Section 301, threatening trade sanctions if it fails to provide patent protection for new pharmaceutical products. Bangkok has agreed to do so but has

asked for more time - about two years according to the latest offer - than the Americans are willing to accept.

The Thai insistence on framing the law according to whatever principles are to be agreed in the Uruguay round of multilateral trade talks would also provide inadequate protection in Washington's eyes. The Japanese, in particular, and the Europeans are watching developments with interest. While complaining that Section 301 runs counter to the multilateral principles of the General Agreement on Tariffs and Trade, the Japanese and Europeans stand to gain in Thailand from US aggression.

Meanwhile, the Japanese have given up wondering why the anti-Japanese sentiments

of the 1970s have not re-emerged. They are content to leave Thai resentment focused against the Americans. The Japanese have also been buying a larger share of Thai goods as well as supplying companies in Thailand, many of them Japanese, with more components and machinery.

The diversity of Thai export markets and products, compared with those of other South-east Asian countries, has been the basis of the country's export-led growth. Manufactured goods go to industrialised countries; rice to China, the Middle East, Africa and Hong Kong; feed cereals and substitutes to the Korea and the European Community.

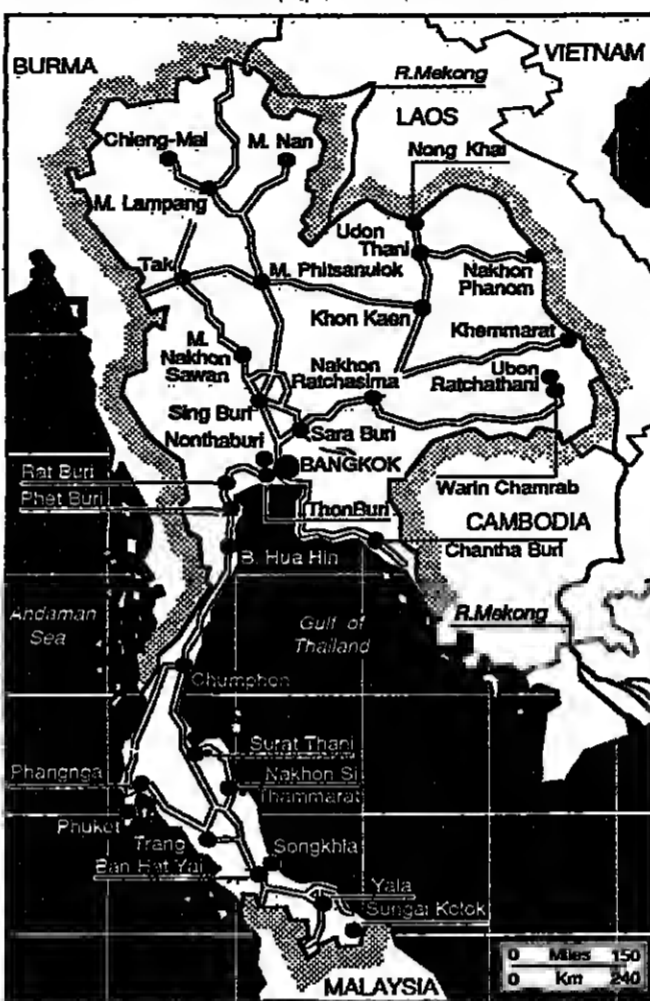
As Thailand enters the 1990s, adjustments may have to be

made for weaker rice, tapioca and maize prices as world supply and stocks recover. Preferential trade with fellow members of the Association of South East Asian Nations (Asean) - Brunei, Indonesia, Malaysia, the Philippines and Singapore - shows signs of increasing after years of inactivity.

Thais are eyeing with interest the prospect of being able to increase trade with economically reformed eastern Europe. Peace and economic reform in Vietnam, Cambodia and Laos could achieve Prime Minister Chatichai Choonhavan's hope of turning "the battle fields of Indochina into a market place."

Gatt trading system through the Uruguay round and as a member of the 14-nation Cairns group of agricultural exporters supports considerable reductions in farm trade barriers and subsidies.

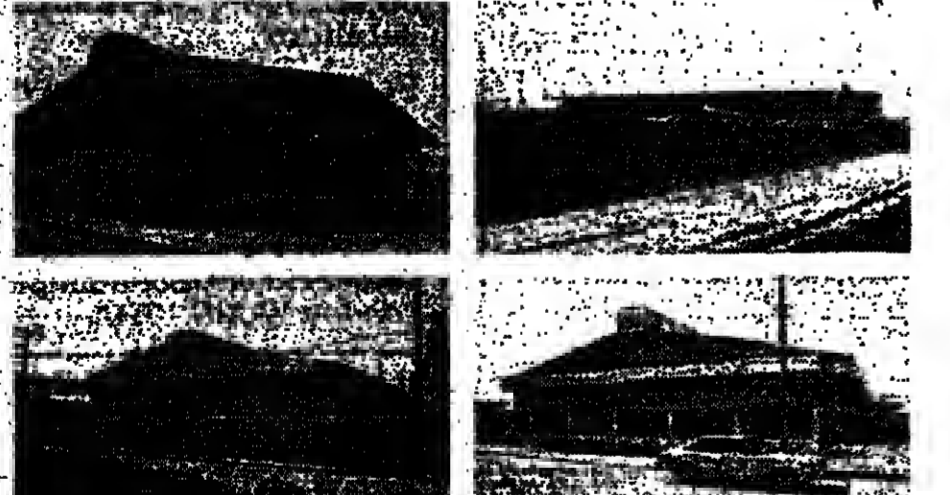
But just in case the world degenerates into warring trade blocs, Thailand and Asean have cautiously agreed to join the US, Canada, Japan, South Korea, Australia and New Zealand in a round of talks that would lead to the Asia-Pacific Economic Co-operation (Apec). For the time being no one wants to see Apec turn into a battleship Pacific to combat fortress Europe, so co-operation will be technical rather than an exchange of trade preferences. However, no one is taking risks.



Key facts

Area: 514,000 sq km	Population: 53.5m	President: General Chatichai Choonhavan
Birth rate: 1987 25 per 1,000; 1985 41 per 1,000	Urban population as % of pop: 1987 21 %	Average of lower-middle income countries: 1987 51 %
Population per doctor: 1984 6,250; 1985 7,180	Average of lower-middle income countries: 1984 3,330	Percentage of 12-17 year-old age group in secondary education: 1986 29%; 1985 14%; Average of lower-middle income countries: 1984 51 %
Percentage of 22-24 year-old age group in higher education: 1984 20%; 1985 2%; Average of lower-middle income countries: 1984 17 %	GDP per capita: 1987 \$357	Average of lower-middle income countries: \$1,200; Malaysia \$1,810
Real GDP growth: 1988 11%; 1987 7.1%; 1980-87 annual average 5.6%	Inflation: 1988 3.6%; 1987 2.6%; 1979-88 annual average 6%	Merchandise exports: 1988 \$15,781m; 1987 \$11,585
Merchandise imports: 1988 \$17,856m; 1987 \$12,019m	Current account balance: 1988 \$-1,671m; 1987 \$-358m	Total reserves excl gold: end April 1988 \$6,097m
Main exports as % of total: 1988 rice 8.5%; textiles 14.5%; rubber 6.4%; tapioca products 6.4%	Main imports as % of total: 1988 non-electrical machinery 17.5%; electrical machinery 10%; chemicals 9%; iron and steel 8%	Main export markets: 1988 US 18.6%; Japan 14.9%; Singapore 8.9%
Main sources of imports: 1988 Japan 25.9%; US 12.3%; Singapore 7.7%	Total external debt: 1987 \$20,710m; Debt as % of GNP: 1987 44.2%; Colombia 43.3%; Brazil 33.7%; Argentina 35.5%; Mexico 39.6%	Debt service ratio: 13.6%
Structure of long-term debt: 1987 official sources 66.7%; private sources 33.2%	Average exchange rate: 1988 \$ = Baht 25.28; \$ = Baht 42.29	Current exchange rate (Dec 1989): \$ = Baht 25.31; \$ = Baht 39.50

YOUR WAY TO OPERATING IN THAILAND



MOVING TO THAILAND? CONTACT TFD. WE GET IT DONE

The key to successful start-up and commercial operations is to get the right factory facility in the right location, under the right terms. TFD, a specialized government related agency is set-up to assist foreign investors getting established in Thailand with these objectives in mind.

Right facility. TFD establishes a range of ready-made factory buildings for immediate occupancy with each unit having an area of 1,200 m² (12,900 ft²). "Made to order" facilities can be arranged to your specification.

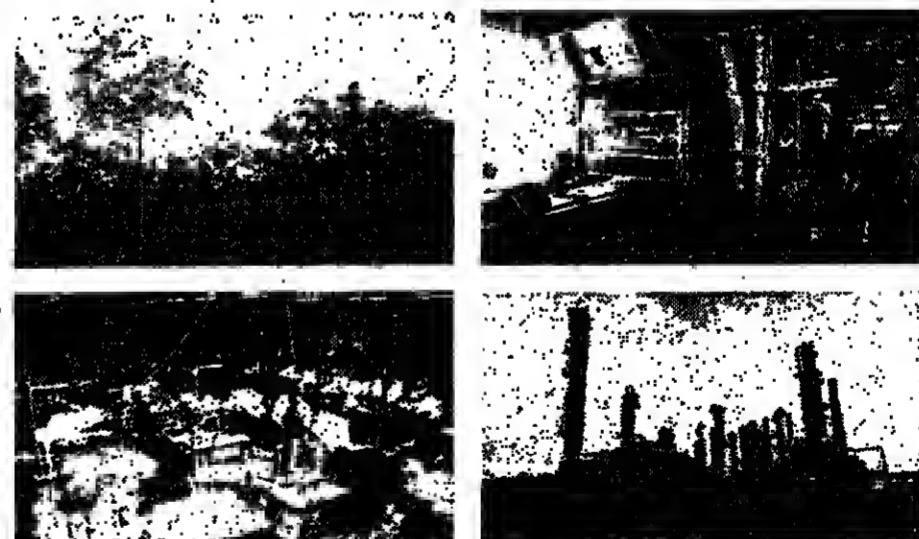
Right location. TFD factory "villages" are located in several government promoted industrial estates offering a wide range of choice.

Right terms. TFD factories can be leased, purchased under credit assistance, or leased with option to purchase at a pre-arranged price. (You can also buy on cash basis.)

Behind the door lies the path to successful start-up, because you get the building, not a blue print TFD way. We make it work!

THAI FACTORY DEVELOPMENT CO., LTD.
 SINTHON BLDG. GROUND FL., 132 WIRELESS RD.,
 BANGKOK 10500 P.O. BOX 11-1102
 TEL. 2500348-9, 2520215 EXT. 214-221
 TELEFAX: 01121 TOLC-TH: ATT.TFD.FAX. 06 2 2544519

THE GOLDEN KEY TO INVESTMENT IN THAILAND



INVESTING IN ASIA? THE PLACE IS THAILAND THE TIME IS NOW THE REASONS ARE RIGHT HERE

Thailand's skills and independence have created a multifaceted economy embracing the most sophisticated technology, in an atmosphere of freedom and stability. Boosted by a government which recognises that free enterprise and foreign expertise are necessary for a healthy society, the economic revolution has reached all parts of the country.

The highest standards are maintained in technical industries, from gem-cutting and jewelry designing to the state-of-the-art petrochemical complex on the Eastern Seaboard.

As Asia's only net food exporter, high-tech agro-industries are literally reaching the grass roots. For instance, tiger prawn production has brought over 13 billion Baht into the Kingdom, while the Thai poultry industry exports 180,000 tons to Japan, West Germany and the Middle East.

Great opportunities exist today in industry, as well as meat-processing, agriculture, re-forestation and paper pulp, canning and food processing.

The Board of Investment has played a major role for more than a quarter of a century in facilitating economic opportunities. Promotional privileges, incentives and tax concessions are only part of the job. The BOI can show you how investment can be safe and profitable for the international business community.

The time is right. Thailand is right for the job. All that we need is your interest.

For information, please contact: OFFICE OF THE BOARD OF INVESTMENT, 555 Vibhavadi Rangsit Road, Bangkok 10900, Thailand. Tel: (662) 270-1400, Fax: (662) 271-0777
 Frankfurt Tel: (069) 281-091-2 Fax: (069) 292-460



LEGAL COLUMN

Last chance to help update the White Book

By Robert Rice, Legal Correspondent

THE EXPERIENCE of lawyers involved in the Shearson Lehman v MacLaine Watson case has prompted the Commercial Court Committee to review the court's procedures and other aspects of its day-to-day practices.

Informal group to obtain and collate suggestions for the revision of the guide consisting of Mr Justice Hobhouse, Mr Justice Saville, Mr John Veeder QC, Mr Jonathan Hirst, Mr George Staple of Gifford Chance and Ms Sheila Simson of Clyde & Co will report in the New Year. It is looking particularly for suggestions to help the cost-effectiveness of pre-trial directions as well as all the procedures and merits of the changes that have been made in the conduct of trials.

Following the Shearson Lehman case Mr Staple together with Mr Justice Webster produced a note making suggestions for possible additions or amendments to the guide. They suggest that in any complicated case a pre-trial hearing should be held in order to narrow the issues, consider the trial of preliminary issues and the use by the court of its power to order particular issues to be tried before others. Even if there is to be no separation of the trial of issues, it

may be possible to make scheduling arrangements that would save costs and prevent unnecessary waste of time for everyone involved, they say. The courts should be encouraged to exercise more vigorously the power to order a trial of the preliminary issues. If it does, it may then be sensible in some cases to freeze pleadings until after the preliminary trial. Consideration should also be given to the more frequent use of the court's power to order particular issues to be considered at the start of the trial. If scheduling has not been agreed at a hearing of pre-trial directions then it should be encouraged at the beginning of any potentially lengthy trial.

READERS may be interested to learn that such is the power of advertising that the slogan "No FT" has at last passed into the language of the criminal fraternity, according to a recently published dictionary of criminal and sexual slang, Raymond Hughes writes. It denotes, "a reply by a suspect meaning no comment."

Here, to whet the appetite we offer the following: To bang a hanger is to steal a purse. A blister is a summons to appear in court. Boosterdrawers are underwear worn by shoplifters in which to put stolen goods. Chawry goods are stolen property. Dragging is stealing from motor vehicles. Fall money is cash set aside to pay a lawyer in the event of arrest.

Guide to brief encounters

LAWYERS looking to merge or sell their practices or acquire others, but who don't know how to go about it, may be interested in the launch this week of a law firm dating service. The "lone sole practitioner of Cornwall with large general practice seeks likewise to share love of tax work with a view to possible merger" can now advertise in confidence through the Professional Practice Index.

stances and objectives can be obtained on request from PPI without the identities of the interested parties being revealed until they have given their consent in writing. While unlikely to be of great interest to larger firms, the service could prove a boon for smaller practices. Until now, according to Mr Michael Simons of the Tooke Consultancy, they have found it difficult to find a cost-effective way to assess in confidence the profiles of other law firms.

Information from Tooke Consultancy Ltd, 100a New Cavendish Street, London W1M 7FA. Firms can participate in PPI either by advertising, which costs £125 plus VAT for which a firm gets 100 words to describe its requirements, or by taking an annual subscription - £300 plus VAT. To supplement a bulletin entry, all advertisers have to complete a questionnaire designed to provide a structured summary of the practice. Questions range from the number of equity partners to the firm's total fee income for the previous year. The first bulletin contains 13 entries from accountancy firms and 14 from law firms.

particularly closing submissions, should always be in writing and so detailed that little additional oral argument is required except to meet points arising from an opposing party's final submissions, or questions put by the court or necessary elaboration which can more effectively be done orally than in writing. Commercial Court users should make their views known to any member of the revision group as soon as possible.

Investment Banking. We have two excellent opportunities for lawyers to become involved in the ever growing and highly profitable swap market. Both vacancies are with pre-eminent blue chip U.S. banks who are leaders in currency and interest rate swaps. The first position is for a 2-year qualified lawyer preferably with some experience in banking although swap market experience is not a necessary prerequisite.

LEGAL APPOINTMENTS

Career Opportunities for Dynamic Lawyers. GPA is the world's foremost lessor of commercial aircraft. Since its formation in 1975 the Company has demonstrated an outstanding record of innovation and is now firmly established as the market leader in its field. The Company's head office is in Shannon, Ireland, and it also has offices in Connecticut, Los Angeles, New York, London and Tokyo.

APPOINTMENTS ADVERTISING. Appears every Wednesday and Thursday. For further information call 01-873 3000. Nicholas Baker ext 3351. Elizabeth Arthur ext 3694.

Contracts Manager legal/commercial negotiator. This Scottish subsidiary of a successful and expanding international engineering group manufacturing high value capital equipment for world markets seeks a Contracts Manager well versed in international contracts procedures. Duties will include the preparation, drafting and negotiation of commercial undertakings with additional involvement in project finance and sales at home and abroad.

MERIDIAN CORPORATE FINANCE. £25,000 + Excellent Package & Prospects. Top European bank is recruiting an aspiring high flyer (banking or legal exp.) to specialise in Capital Markets throughout the Pacific Basin Area. Call Emily Hall. 01 255 1555 (REC.CON)

Business Law Brief. The latest issue of the Financial Times Business Law Brief, edited by Dr. A. H. Hermann, contains items of news and comment and analyses of labour competition policy, EC airline objectives and Alaskan oil spill liabilities. For more information call: Judith Harris, Financial Times Business Information. Telephone: 01-240 9391 or write to: Tower House, Southampton Street, London WC2E 7HA.

ZARAK HAY & LAW. BANKING £100K+. Our client is a medium sized City firm of repute. They are seeking to appoint a senior banking lawyer. Applicants for this position should have extensive, broad-ranging experience. BANKING TO £50K. Our client is a substantial and progressive City firm, well known for its banking practice. They require two additional solicitors with up to three years' experience to join their banking department.

Legal Appointments Advertising. Appears every Monday for further information call 01-873 3000. Elizabeth Arthur ext 3694.

SCOTT BROWNRIGG & TURNER. PARTNERSHIP SECRETARY (DESIGNATE). Circa £22,000 + Car. Scott Brownrigg and Turner is a highly successful architectural, planning, project management and interior design practice with offices in the UK and Europe, and a commitment to high quality work with attention to fine detail.

ARCHITECTURE

Landmarks in landscaping

An exhibition of British achievement in the field of landscape architecture and design is long overdue. Although the show at the Royal Institute of British Architects Heinz Gallery (21, Portman Square, London, W.1) until December 16 is only the tip of the iceberg, it is a good introduction to a subject that one day must surely receive the thorough scholarly treatment it so richly deserves.

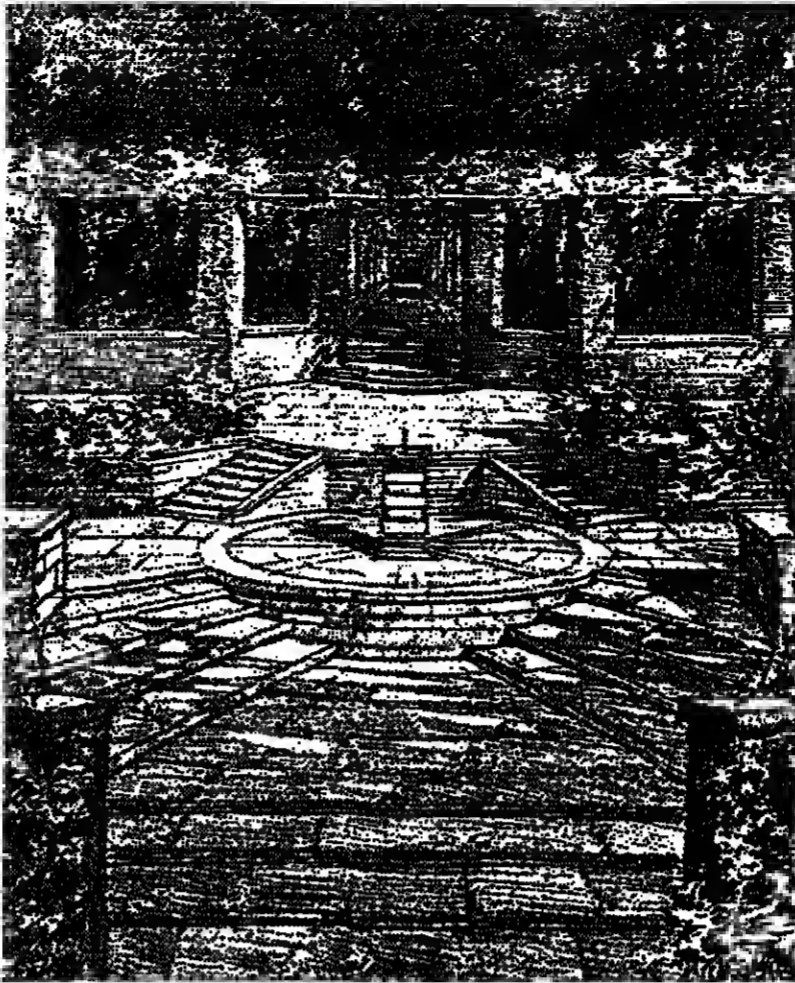
The exhibition is drawn exclusively from the RIBA collection, and as there are inevitable gaps which prevent it being seen as a detailed history of garden or landscape design. There is only one drawing, for example, by Capability Brown and it is far from certain which of his landscapers it represents. And there is nothing by William Kent. The exhibition has been selected by the garden writer Jane Brown and it is probably best seen as a supplement to her book (The Art and Architecture of English Gardens, Weidenfeld and Nicolson) already reviewed in these pages.

What happened to all the dragons that perch so elegantly on every roof stage? The influence of the Orient is scarcely touched upon but it is a pleasure to see Thomas Daniell's designs for the Indian elements in the gardens at Sanssouci.

I wanted to know a great deal more about each individual garden and the delight felt when looking at these drawings is tempered by the lack of an adequate catalogue and poor captions. It has to be seen as a highly enjoyable mixed bag of fine things. Do not expect analysis or detail. It is a relief that Queen Victoria put her foot down over Prince Albert's proposed Architectural Garden for the Mall shown here in designs by William Nesfield. The Queen wisely said, that she preferred the trees in St James's Park to the arid arrangement of sculpture and urns that Nesfield proposed for its basement.

and the sound of the croquet on smooth lawns. There are plenty of 20th century drawings - the tradition continues with only a brief break for the modern movement.

Just a blip of abstraction. The great figure of our times remains Sir Geoffrey Jellicoe. He was born in 1900 and long may he thrive. The exhibition offers a rare opportunity to see his designs for the Moody Botanic Gardens at Galveston, Texas. This is a huge garden, still under construction and designed to illustrate the history of gardens "from the beginning to the 19th century." The Moody Garden may be one of the wonders of the world - take this opportunity to see the extraordinary designs.



A landscape sketch from the RIBA collection

It is a sensitive and practical scheme that clearly deserves support. The decision not to go for an expensive new building is understandable and this low key approach does utilise the existing fabric in an extremely sensible way. It could be a model for many older museums with poorly utilised space.

Colin Amery

Thanksgiving Day

Next Monday is the Big Day in the arts sponsorship calendar. Everyone involved in the busy mess - arts administrators, sponsors, consultancies, even a few artists, will gather at the National Theatre for the Association for Business Sponsorship of the Arts annual prize giving, where the Princess of Wales will hand out especially commissioned artifacts to the sponsors judged to have contributed most over the past 12 months.

Museum is over half way towards the £5m it needs to modernise its galleries. Pledges stand at £3m, thanks to £1m from BP and £200,000 from Gerald Ronson. Shell have put up £100,000; Robert Maxwell, £100,000; and the Clow Foundation £200,000.

Lady Betty

ALHAMBRA THEATRE

Lady Betty, the subject of this lovely new show from Cheek by Jowl, was the hangwoman of Roscommon 'Gael' - who unwittingly married her own son and saved her own neck by breaking those of her fellow convicts.

Ray McBride, the world champion Irish step dancer. The special Roscommon drop, a platform flag on the thin stove is printed on white Betty and a political activist, Michael Flynn (Gerard O'Hare), are measured for neck, size and weight by the hangman who then does a bunk.

I, An Actor

HAMPSTEAD THEATRE

With a curriculum vitae that sprawls from the anarchic comedy of the Young Ones to Dennis Potter's Blackeyes, via several years' entanglement with Edgar, Nigel Planer has almost as much to boast about as Nicholas Craig, his fictional alter ego and autobiographer of the facetiously timely tome I, An Actor.

LCDT

SADLER'S WELLS

Kim Brandstrup, Danish born, London Contemporary trained, has been making dances for the past six years or so. His chief platform has been his Art Dance Company, and these columns have reported with pleasure on much of what he has shown.

Have your FT hand delivered in France. If you work in the business centres of ANTIBES, BORDEAUX, CANNES, GRENOBLE, LYON, MONACO, NICE, PARIS (all arrondissements) plus 92000 postal code. STRASBOURG, TOULOUSE, MARSEILLE or NANTES - gain the edge over your competitors. Have the Financial Times hand delivered to your office at no extra charge and you will be fully briefed and alert to all the issues that affect your market and your business.

ARTS GUIDE. December 1-7. MUSIC. London. The Chamber Orchestra of Europe, conducted by Claudio Abbado. Royal Concertgebouw Orchestra with macedonian choirs and vocalists, conducted by Charles Dutoit. Brussels. Belgian National Orchestra conducted by Ronald Zollman. New York. New York Philharmonic conducted by Giuseppe Sinopoli.

SALEROOM. Sotheby's regains stolen horse. Good news for Sotheby's. Police in Hong Kong have recovered the Tang Horse stolen from a warehouse there a few weeks ago before it could be sold as the prize lot from the British Rail Pension Fund collection. The horse carried an estimate of up to £1m. It should now be auctioned off on schedule in London next week.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Sifting the Fed's contradictions

WHEN the US Federal Reserve came in last Monday and aggressively drained reserves from the banking system...

ingless as more economic data was released showing a continuing deceleration in economic growth...

chasing Managers reported that the economy deteriorated for the seventh consecutive month in November...

have been in a state of high euphoria about being decoupled by the Fed, foreign institutions have plainly ignored this domestic storm...

The five-day repurchase agreement on Wednesday, November 22, was interpreted as an easing in the Fed funds rate to 8 1/2 per cent...

Last week's economic evidence pointed in one direction. On Thursday a significant rise in the bond market...

Exports continued to be a bright spot, but manufacturing output continued to weaken. Mr Robert Bretz, chairman of the association...

Not only will the Fed want evidence of alarming weakness in Friday's employment release, but it will also want continuing signs of an abatement in inflation pressures...

Then the brokerage offered a small lecture to its mistaken colleagues: "The overall confusion that arose in the Street suggests some need for market participants to reconsider procedures used to assess technical versus potential policy nature of open market operations."

The weekly jobs claims figure was followed last Friday by news of a 0.4 per cent drop in US leading indicators in October.

Although US bond traders are looking for a rise in initial claims for unemployment insurance and a decline in the average working week...

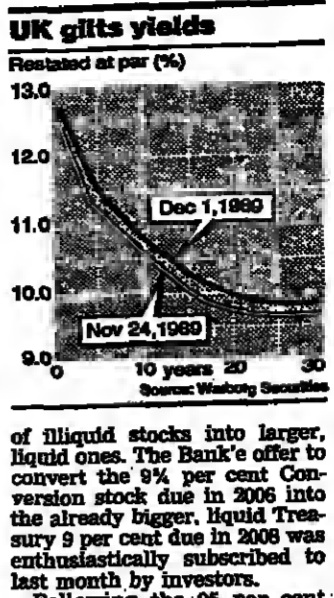
Also on Friday the latest report from US purchasing managers was published. The National Association of Purchasing Managers reported...

UK GILTS

Traders chew over buy-back policy

THE BANK of England's cancellation of £4.5bn worth of gilts was in danger this week of being treated as a non-event...

Bank's cancellation of £4.5bn of gilts to chew on. The news that some of the stock bought in by the Bank had been cancelled...



the success of the first offer, will be the 10 per cent 2002 and 2004 issues. Given these candidates, the Bank will succeed in reducing the servicing costs of its debt...

During this drama, gilts traders were looking anxiously to see what Wednesday's deadline for share applications for the water industry would bring...

The gilts cancellation, though unprecedented, represents a logical last step of this buy-in programme until stocks bought in "official hands" are cancelled...

Following the 95 per cent success rate of the first offer, there is likely to be a further conversion early next year, further altering the composition of the market.

Warburg Securities says that the list of stocks to be cancelled reveals the Bank's intention to consolidate the gilts market into a smaller number of more active issues.

Rachel Johnson

Janet Bush

US MONEY MARKET RATES (%)

Table with 5 columns: Rate, 1 week, 4 wks, 12-month, 12-month. Rows include Fed Funds, Treasury bills, Treasury notes, Treasury bonds, Commercial paper.

US BOND PRICES AND YIELDS (%)

Table with 5 columns: Bid, Change, Yield, 1 week, 4 wks. Rows include Treasury bills, Treasury notes, Treasury bonds, Commercial paper.

NRI TOKYO BOND INDEX

Table with 5 columns: Index, 30/11/89, 30/10/89, 12 wks, 24 wks. Rows include Overall, Government bonds, Municipal bonds, Corporate bonds, etc.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bond issues with columns for Issuer, Maturity, Coupon, Price, Yield, etc. Includes entries for various countries like Australia, Canada, France, Germany, etc.



Nikko Securities + Wells Fargo = Global Leaders in Investment Technology

Announcing a new partnership of equals. The Nikko Securities Co., Ltd. has teamed up with Wells Fargo & Co. in a joint venture that operates the first large-scale global investment management firm focused on Investment Technology (IT).

Nikko logo and contact information: The Nikko Securities Co., Ltd., 3-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan. Tel: (03)-283-2210. Fax: (03)-283-2211.

The Nikko International Network LONDON ZURICH GENEVA LYONS BRUSSELS MILAN MADRID AMSTERDAM BARCELONA NEW YORK SAN FRANCISCO LOS ANGELES CHICAGO TORONTO HONG KONG SINGAPORE BANGKOK SYDNEY MELBOURNE SEUL BEIJING QINGDAO SHANGHAI

STRAIGHT BONDS: Yield to redemption of the mid-price. Account based is expressed in millions of currency units except for US bonds, where it is in billions. FLAT-RATE RATE: Notes: US Dollars unless indicated. Margins above 6-month offered in US dollars. CDOs - current coupon.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL EQUITIES

Accommodating the discerning investor

WITH THE international bond market in the doldrums, companies which look to equity for solace are finding they must work hard for their rewards in the international marketplace.

The burden of a more cautious investment environment with an absence of personal investors has fallen on the brokerage houses trying to peddle new equity.

A recent \$200m special share placement for Rhone-Poulenc, the international chemicals company, was difficult to organise and place, according to Shearson Lehman, which underwrote the deal along with Merrill Lynch.

The issue was complicated - involving an offer of participating series A shares with warrants - and necessitated considerable marketing work prior to its launch.

The new-issue market has recovered to the extent that deals like this get done, explains Mr Ludovico del Balso, managing director of the equity capital group at Shearson Lehman.

European Investment Bank plans to step up debt profile

THE EUROPEAN Investment Bank will increase its borrowings on the international capital markets by almost 30 per cent this year.

According to Mr Ernst Guenther Broeder, the EIB's president, the bank expects to raise the equivalent of Ecu9.2bn (\$10.5bn) in 1989, compared with Ecu7.7bn last year.

The bank, the largest borrower in both the Ecu and sterling bond markets and sometimes more active in the international bond market than the World Bank, has concentrated its borrowings in the last two years in European markets, reflecting the preferences of its clients.

Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount m, Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %. Rows include US DOLLARS, CANADIAN DOLLARS, AUSTRALIAN DOLLARS, EUROMARKET TURNOVER (\$bn), and various international bond issues.

Volume dropped after the crash of 1982, to \$8.99bn last year, but was stronger this year at \$19.48bn.

As US money managers look to diversify their portfolios abroad and Japanese investors develop more of a taste for foreign stocks, the market for new international equity issues can prove lucrative for the right company.

Mr Amir Kilon, managing director of equity capital markets at Morgan Stanley, predicts that by 1992-1994 US holdings of foreign stocks will be in excess of \$200bn from a current level of around \$75bn.

Stock market volatility in recent months has discouraged some firms from coming to the market to issue, both domestically and abroad, but this is not because there is a

lack of demand. Some companies believe that their share prices are too low and are awaiting an upturn in the stock market before making a placement.

Further, international placements are more focused than in the past, with a small syndicate group dividing countries between them.

This process, known as ring-fencing, restricts a syndicate manager from selling the stock outside the country or area allocated to it, and has been used effectively by the Netherlands Government in its massive privatisation of NNIB Postbank.

Mr Michael Watson, executive director of equity new issues at Daiwa Securities, explains how the firm uses this principle on a more informal basis.

Advertisement for EDF Electricite de France. Features the EDF logo, 'Electricité de France', '€100,000,000', '10% per cent. Guaranteed Bonds due 2009', 'Unconditionally guaranteed by The Republic of France', and 'Issue Price 98.65 per cent.'.

Advertisement for Rabobank Nederland. Features the Rabobank logo, 'Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.', 'Yen 30,000,000,000', 'Euro-commercial Paper and Certificate of Deposit Programme', and lists 'Arranger: Nomura International' and 'Dealers: Daiwa Europe Limited, Goldman Sachs International Limited, Nomura International, Rabobank Nederland'.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts under the 'AUTHORISED UNIT TRUSTS' section, including names like Abbey Unit Trust Managers Ltd and their respective details.

Table listing unit trusts under the 'FT UNIT TRUST INFORMATION SERVICE' section, including names like Abbey Unit Trust Managers Ltd and their respective details.

Table listing unit trusts under the 'FT UNIT TRUST INFORMATION SERVICE' section, including names like Abbey Unit Trust Managers Ltd and their respective details.

Table listing unit trusts under the 'FT UNIT TRUST INFORMATION SERVICE' section, including names like Abbey Unit Trust Managers Ltd and their respective details.

Table listing unit trusts under the 'FT UNIT TRUST INFORMATION SERVICE' section, including names like Abbey Unit Trust Managers Ltd and their respective details.

GUIDE TO UNIT TRUST PRICING. A section providing detailed information on how unit trust prices are calculated, including terms like 'NET ASSETS', 'UNIT PRICE', and 'DIVIDENDS'.

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table containing unit prices for various investment funds, organized into columns and rows. Includes sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

INSURANCES
A1 Property
A2 Life & Health
A3 Life & Health
A4 Life & Health
A5 Life & Health
A6 Life & Health
A7 Life & Health
A8 Life & Health
A9 Life & Health
A10 Life & Health

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 36p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for Jersey (GD Recognised), Offshore and Overseas, Guernsey (GD Recognised), Management Services, and Luxembourg (GD Recognised).

Willschell & Co

FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Type, and other details.

LONDON SHARE SERVICE

Main table of London Share Service, listing various share prices and financial data.

Handwritten Arabic text at the top center of the page.

BRITISH FUNDS

Table of British Funds, including sub-sections for 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

BRITISH FUNDS - Cont'd

Continuation of British Funds table, including sub-sections for 'Unrated' and 'Index-Linked'.

LOANS

Table of Loans, including sub-sections for 'Building Societies', 'Public Board and Ind.', 'FOREIGN BONDS & RAIS', and 'AMERICANS'.

INT. BANK AND O/S

Table of International Bank and Overseas (INT. BANK AND O/S) data.

CORPORATION LOANS

Table of Corporation Loans data.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans data.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various international investment vehicles.

OFFSHORE INSURANCES

Table of Offshore Insurances, listing various international insurance products.

Money Market

Trust Funds

Bank Accounts

Summary table for Money Market, Trust Funds, and Bank Accounts.

UNIT TRUST NOTES: Additional information and disclaimers regarding the unit trust data.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 86p per minute peak and 26p off peak, inc VAT

Main table containing various stock market listings categorized by industry: AMERICANS-Contd, BUILDING, TIMBER, ROADS, DRAPERY AND STORES-Contd, ENGINEERING-Contd, INDUSTRIALS (Miscel.)-Contd, CANADIANS, BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, HOTELS AND CATERERS, BEERS, WINES & SPIRITS, INSURANCES, and another INDUSTRIALS (Miscel.) section.

Handwritten text at the bottom of the page: 5011 10/11/89

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 26p off peak, inc VAT

LEISURE

Table of Leisure stocks including Leisure Group, Leisure World, Leisure Time, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Clothing, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil, Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, Metals, etc.

PROPERTY

Table of Property stocks including Property, Real Estate, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft, etc.

COMMERCIAL VEHICLES

Table of Commercial Vehicles stocks including Commercial Vehicles, etc.

COMPONENTS

Table of Components stocks including Components, etc.

GARAGES AND DISTRIBUTORS

Table of Garages and Distributors stocks including Garages, Distributors, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc stocks including Finance, Land, Etc, etc.

MINES

Table of Mines stocks including Mines, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes, Leather, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional & Irish Stocks, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including Traditional Options, etc.

INDUSTRIALS

Table of Industrials stocks including Industrials, etc.

PROPERTY

Table of Property stocks including Property, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, etc.

MINES

Table of Mines stocks including Mines, etc.

FINANCE

Table of Finance stocks including Finance, etc.

This service is available to every company for a fee of £200 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns: Dec 1, Day's spread, Close, One month, % chg, Two months, % chg, Three months, % chg. Rows include US, Canada, Belgium, Denmark, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, and ECU.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns: Dec 1, Day's spread, Close, One month, % chg, Two months, % chg, Three months, % chg. Rows include UK, Canada, Belgium, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, and USA.

MONEY MARKETS
A strong D-Mark, not a weak pound

THE TALK last week again centred on the weakness of sterling, but it was much more a case of the D-Mark's strength. Wholesale interest rates rose nervously in London, but it will probably take a more general decline by the pound before UK bank base rates are forced higher.

side the EMS the pound showed very little movement. Sterling was virtually unchanged against the dollar last week, and has not fallen very much since the resignation of Mr Nigel Lawson as Chancellor of the Exchequer. The pound was getting over the shock of the Lawson resignation when events started moving quickly in East Germany. It is the possible threat of a dominant unified Germany and the inflationary implications for the West German economy that have pushed up the D-Mark, and as a by-product the pound has weakened.

UK clearing bank base lending rate 15 per cent from October 5

Sterling's exchange rate index fell to 86.1 from 86.7 last week, but this was mainly because the D-Mark was dragging up all the members of the EMS exchange rate mechanism against the pound. These are the currencies of Britain's main trading partners in the European Community, but out-

If sterling remains steady against the dollar, the risk of importing inflation will be reduced because most raw materials are paid for in dollars. At the same time the UK should gain some relief for its yawning trade gap by the pound's fall against the D-Mark.

EXCHANGE CROSS RATES

Table with columns: Dec 1, £, \$, DM, Yen, F Fr, S Fr, H Fl, Lira, C S, O Fr. Rows include DM, Yen, F Fr, S Fr, H Fl, Lira, C S, O Fr.

EURO-CURRENCY INTEREST RATES

Table with columns: Dec 1, Short term, 7 Day, One Month, Three Months, Six Months, One Year. Rows include Sterling, US Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, West German Mark, French Franc, Italian Lira, Hong Kong Dollar, and Australian Dollar.

FT LONDON INTERBANK FIXING

Table with columns: 01.00 am Dec 1, 3 months US Dollars, 6 months US Dollars. Rows include 01.00 am Dec 1, 3 months US Dollars, 6 months US Dollars.

MONEY RATES

Table with columns: Dec 1, Overnight, One Month, Three Months, Six Months, One Year. Rows include Forward, Par, and various currency rates.

LONDON MONEY RATES

Table with columns: Dec 1, Overnight, 7 days, One Month, Three Months, Six Months, One Year. Rows include Interbank Offer, Interbank Bid, and various bank rates.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Dec 1, Nov 24, Dec 24, Jan 24. Rows include Bills on offer, Total applications, and various bill details.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Dec 1, Change, NEW YORK, Dec 1, Change. Rows include London, Chicago, Tokyo, Brussels, Amsterdam, and various interest rate changes.

CHICAGO

Table with columns: Dec 1, High, Low, Prev. Rows include US Treasury Bonds and various market data.

U.S. TREASURY BILLS (6000)

Table with columns: Dec 1, High, Low, Prev. Rows include various Treasury bill rates.

U.S. TREASURY BILLS (6000)

Table with columns: Dec 1, High, Low, Prev. Rows include various Treasury bill rates.

U.S. TREASURY BILLS (6000)

Table with columns: Dec 1, High, Low, Prev. Rows include various Treasury bill rates.

U.S. TREASURY BILLS (6000)

Table with columns: Dec 1, High, Low, Prev. Rows include various Treasury bill rates.

U.S. TREASURY BILLS (6000)

Table with columns: Dec 1, High, Low, Prev. Rows include various Treasury bill rates.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY DECEMBER 1 1989, THURSDAY NOVEMBER 30 1989, DOLLAR INDEX. Rows include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, and USA.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Feb 90, May 90, Aug 90, Jan 90, Apr 90, Jul 90. Rows include Gold C, Gold D, Gold E, Gold F, Gold G, Gold H, Gold I, Gold J, Gold K, Gold L, Gold M, Gold N, Gold O, Gold P, Gold Q, Gold R, Gold S, Gold T, Gold U, Gold V, Gold W, Gold X, Gold Y, Gold Z.

BASE LENDING RATES

Table with columns: Bank Name, Rate. Rows include ABB Bank, Adm & Conroy, Allied Irish Bank, Anglo Irish Bank, Bank of America, Bank of Canada, Bank of China, Bank of India, Bank of Japan, Bank of Korea, Bank of London, Bank of Mexico, Bank of New York, Bank of Paris, Bank of Rome, Bank of Scotland, Bank of Singapore, Bank of South Africa, Bank of Sweden, Bank of Switzerland, Bank of Taiwan, Bank of Thailand, Bank of Tokyo, Bank of West Germany, Bank of Yugoslavia, Bank of Zambia, Bank of Zimbabwe.

£ IN NEW YORK

Table with columns: Dec 1, Close, Previous Close. Rows include 8.30 am, 9.00 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY MOVEMENTS

Table with columns: Dec 1, Close, Previous Close, % Change. Rows include Sterling, US Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, West German Mark, French Franc, Italian Lira, Hong Kong Dollar, and Australian Dollar.

STERLING INDEX

Table with columns: Dec 1, Previous. Rows include 8.30 am, 9.00 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

OTHER CURRENCIES

Table with columns: Dec 1, Close, Previous Close, % Change. Rows include Argentina, Brazil, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, and USA.

CURRENCY RATES

Table with columns: Dec 1, Bank Rate, Spot, 3 months, 6 months, 12 months. Rows include Sterling, US Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, West German Mark, French Franc, Italian Lira, Hong Kong Dollar, and Australian Dollar.

LONDON RECENT ISSUES

Table with columns: Issue Name, Price, Yield. Rows include various London stock issues.

CROSSWORD

Crossword puzzle grid with clues and numbers.

GRANVILLE SPONSORED SECURITIES advertisement listing various companies and their stock prices.

THE COMPUTER MARKETPLACE advertisement for Simon Enefer.

FIXED INTEREST STOCKS

Table with columns: Issue Name, Price, Yield. Rows include various fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue Name, Price, Yield. Rows include various rights offers.

JOTTER PAD

Jotter pad advertisement with a grid for notes.

Crossword puzzle with clues and a solution at the bottom.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Table of world stock markets including sections for Australia, Canada, Germany, Italy, and Switzerland. Each section lists various stocks with their prices and changes.

CANADA

Table of Canadian stock markets including Toronto and Montreal. Lists various stocks with their prices and changes.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others, showing their values and changes.

Table of New York Active Stocks and Trading Activity, listing various stocks and their trading volumes.

Table of Canada Toronto stock markets, listing various stocks and their prices.

Table of Tokyo - Most Active Stocks, listing various Japanese stocks and their prices.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices, listing various stocks and their prices.

4pm prices December 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month				12 Month				12 Month				12 Month				12 Month				12 Month			
High	Low	Close	Change	High	Low	Close	Change	High	Low	Close	Change	High	Low	Close	Change	High	Low	Close	Change	High	Low	Close	Change
30	28	29	+1	10	9	9.5	+0.5	15	14	14.5	+0.5	20	19	19.5	+0.5	25	24	24.5	+0.5	30	29	29.5	+0.5
31	29	30	+1	11	10	10.5	+0.5	16	15	15.5	+0.5	21	20	20.5	+0.5	26	25	25.5	+0.5	31	30	30.5	+0.5
32	30	31	+1	12	11	11.5	+0.5	17	16	16.5	+0.5	22	21	21.5	+0.5	27	26	26.5	+0.5	32	31	31.5	+0.5
33	31	32	+1	13	12	12.5	+0.5	18	17	17.5	+0.5	23	22	22.5	+0.5	28	27	27.5	+0.5	33	32	32.5	+0.5
34	32	33	+1	14	13	13.5	+0.5	19	18	18.5	+0.5	24	23	23.5	+0.5	29	28	28.5	+0.5	34	33	33.5	+0.5
35	33	34	+1	15	14	14.5	+0.5	20	19	19.5	+0.5	25	24	24.5	+0.5	30	29	29.5	+0.5	35	34	34.5	+0.5
36	34	35	+1	16	15	15.5	+0.5	21	20	20.5	+0.5	26	25	25.5	+0.5	31	30	30.5	+0.5	36	35	35.5	+0.5
37	35	36	+1	17	16	16.5	+0.5	22	21	21.5	+0.5	27	26	26.5	+0.5	32	31	31.5	+0.5	37	36	36.5	+0.5
38	36	37	+1	18	17	17.5	+0.5	23	22	22.5	+0.5	28	27	27.5	+0.5	33	32	32.5	+0.5	38	37	37.5	+0.5
39	37	38	+1	19	18	18.5	+0.5	24	23	23.5	+0.5	29	28	28.5	+0.5	34	33	33.5	+0.5	39	38	38.5	+0.5
40	38	39	+1	20	19	19.5	+0.5	25	24	24.5	+0.5	30	29	29.5	+0.5	35	34	34.5	+0.5	40	39	39.5	+0.5

Triumphs in TV technology

Video Audio Home Appliances

SAMSUNG Electronics

Handwritten signature or note at the bottom of the page.

Continued on Page 39

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Change. Includes a section for 'Continued from previous Page'.

NASDAQ NATIONAL MARKET

4pm prices December 4

Table of NASDAQ National Market listing various stocks with columns for Bid, Ask, and Last. Includes a section for 'Market' on the right side.

Advertisement for Financial Times featuring a camera lens graphic and the text 'Keep the world in focus.' Includes contact information for ordering.

Advertisement for Scandic Crown Hotel with the text 'It's attention to detail' and 'The Scandic Crown Hotel is a great place to stay.'

The Business Column

The growing power of suppliers

A NEW power is emerging within modern manufacturing. It is less tangible than that embodied in the mighty, pre-war industrial factories...

Changing structure

Two forces are driving this reshaping of the industrial structure. First, improvements in the efficiency of production demand that relations with subcontractors will become deeper and more intricate...

Second, products are becoming more complex. Soon basic products such as cars and washing machines will incorporate a mix of new technologies...

Potential shift

Manufacturers' expertise will increasingly lie in designing, sourcing and assembling components, rather than in making products by transforming raw materials...

Charles Leadbeater

MONDAY INTERVIEW

A third way for Germany

Günter Grass, the West German novelist, talks to Andrew Fisher about politics and culture

calls the "maximum demand" of reunification, but recognises that concern about merging the two Germanys could also lead to "immovable status quo thinking" which would block any progress.

PERSONAL FILE

1927 Born in Danzig (now Gdansk in Poland) 1945-6 Sarvad in German army, wounded, captured by Americans 1959 Published The Tin Drum 1963 Dog Years 1969 The Anesthetic 1982 The Rat

and Reich, was formed.

"That was a relatively short period of German history, which turned out disastrously, resulting in two world wars, the consequences of which have lasted until today."



'In a few months the euphoria will have died down . . .'

and organise. "It would be a mistake for the West to press for early elections. They should not be held at least until next summer or, better, autumn."

healing has to be done. "Both German states are successor states to the Third Reich. They have borne the burden of the lost war unequally, East Germany more than the Federal Republic."

see as typical, without romantic exuberance, without absolute demands, without an off-with-their-heads mentality, and even with a certain cheerfulness if I think of the words on the demonstrators' banners. It's a new tone in Germany."

argues that the collapse of authoritarian, dogmatic communism is a victory for capitalism lying through their teeth. It comes as no surprise to hear Grass call himself a sceptic. But events in the east have made him, far less so.

The dilemmas of protecting sources

It is not immediately apparent why the Court of Appeal last week refused to hear the appeal of Mr William Goodwin against the ruling in the case of Mr Justice Hoffman that he should disclose the source of his information about a confidential corporate finance plan of a private company.



JUSTINIAN

reflects a principle long established by the Press Council. It is likely to be re-affirmed in the Council's own Code of Practice to be published next week.

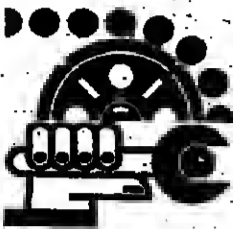
Although the Court of Appeal shut out Mr Goodwin's appeal, that is not the end of the matter. The appeal by the publishers of his magazine, The Engineer, who have been ordered to desist from going ahead with any publication of the confidential information about the company) proceeded.

But does it? The section begins by saying that the court may not order disclosure of a source unless it is satisfied that disclosure is necessary for one or other of four heads of public interest. The four are "the interests of justice," "the prevention of crime" - the two heads relevant to Goodwin's case - "the national security" and "prevention of fraud."

QUICK advertisement for financial information services, featuring a globe and text: TODAY, LONDON, TOKYO AND NEW YORK BECOME ONE MARKET

SECTION III

FINANCIAL TIMES SURVEY



Japanese industry enters the Nineties in a mood of optimism after a year of political turmoil in the country.

As corporate giants expand abroad and the stock market continues its climb, are prospects as favourable as they appear? Robert Thomson reports.

Good times in a year of upsets

IN A YEAR of political upheaval, with a procession of three prime ministers, stock and sex scandals, and the rise of the Japan Socialist Party, the Japanese economy has flourished and Japanese industry and workers have not yet learned how to relax.

For a people who regard themselves as middle class but poor, the Japanese are surrounded by reminders that life is not as austere as it used to be. Auto makers note that the humble salaried worker, the sarariman as he is called, has begun to buy luxury cars, while Japanese airlines, embarrassed by the riches of a travel surge, are developing new ways to disguise profits.

The spending power of Japanese companies continues to intimidate, and Japanese conspiracy theories are again playing to full houses in Washington. Sony has bought Columbia Pictures; Mitsubishi Estate has taken a majority stake in the Rockefeller Group; and Kato Kagaku, the country's largest maker of starch syrup, is buying Bush House, home of the BBC world service.

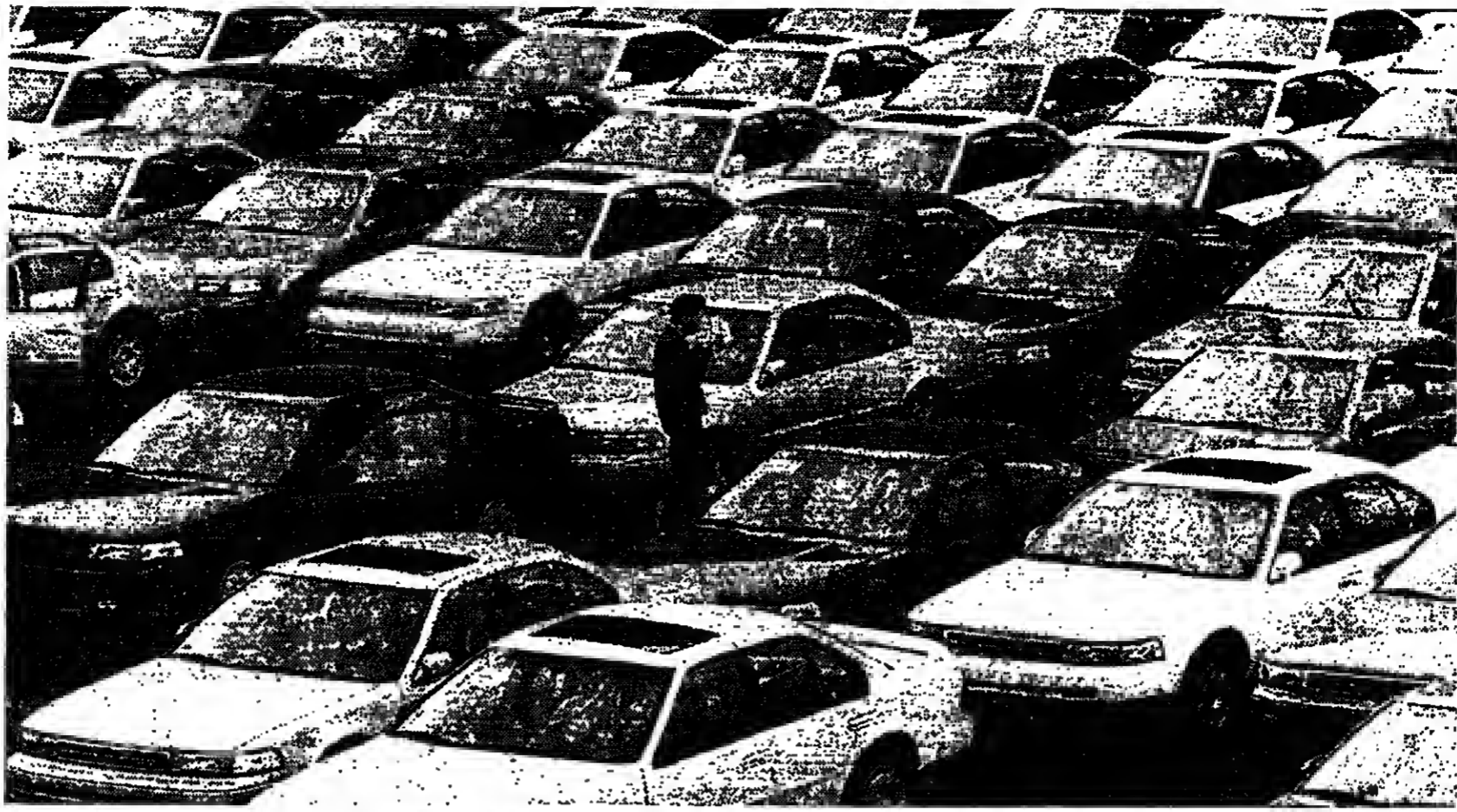
As the foreign assets grow, and the Tokyo stock market continues its relentless climb higher, and once struggling industries like shipbuilding

and machine tools report healthy profits, the prospect of a decline in Japan's economic fortunes is remote. Nomura Securities, the world's largest broker, had the confidence to predict the Nikkei stock market average at the end of 1990 could be as high as \$1,700, and will be at least \$1,700. The index is now around \$7,000.

The confidence has its limits. Japan is suffering a labour shortage that has led to a 50 per cent increase in salaries in a few industries over the past two years. The trend could become serious enough for companies to reconsider plans for expansion of capacity within Japan and invest offshore, not to beat trade barriers, but simply because Japan does not have enough workers to make the product.

And there has been concern that consumer spending, which has fuelled economic growth in the past three years, would not recover from the introduction of a 3 per cent consumption tax in April. In the months before the tax, consumers went on a buying binge, but then came year-on-year falls in spending of 0.2 per cent and 1.8 per cent in July and August. The tide appeared to turn in September with a 0.3 per cent increase.

Political instability has



Cars lined up for export at the port of Yokohama: the motor industry remains the engine of the flourishing Japanese economy

Japanese Industry

ased, with Mr Toshiki Kaifu, the Prime Minister, managing to avoid scandals since being appointed after his ruling Liberal Democratic Party lost control of the upper house in a July election. At the same time, the Japan Socialist Party, which made remarkable gains at that election, has failed to build on its success.

The JSP remains divided between its ideological Left and more pragmatic Right, and has been unable to present a coherent platform to an electorate which may feel poor but has been enriched enough to have something to lose from a mismanaged economy. Mr Hiroshi Nukui, the director of the JSP's policy secretariat, admits that winning the confidence of Japanese industry will not be easy, but argues that the JSP has the respect of many corporations.

"Japanese business cannot survive just by pursuing profit. Companies have started to realise that and we have to oppose that. We are asking

them to expand their role as members of society," Mr Nukui said. Corporate Japan, conscious that a coalition government headed by the JSP would increase company taxes, has not abandoned the LDP and will encourage employees to vote for the party at a general election likely in February.

The political and industrial role of the just formed Shin Rengo, or Japanese Trade Union Confederation, is an unknown variable. The 8-member organisation covers about 65 per cent of Japan's 12.3m organised workers, and has described its formation as "the coming true of Japanese workers' earnest wish to unite themselves under one nationwide organisation".

Ideological disputes have troubled the trade union movement for the past four decades, but Shin Rengo has indicated it will "pursue socialist democracy with the market economy at its base" and hopes to develop into a formidable political party. As for industrial dis-

putes, the union says it will not "hesitate to make the necessary compromises with management in so far as it does not bend our principles as a labour organisation."

External forces are likely to be a larger threat to industrial peace of mind in the coming year. Japanese industries are aware that the sensitive trade relationship with the US could deteriorate rapidly. Signs of frustration with a lack of progress in the bilateral Structural Impediments Initiative (SII) talks are already obvious in Washington.

Of their nature, the SII talks were not designed to achieve a sudden reduction in Japan's \$50bn-plus bilateral surplus, but that fact has become more obvious in recent weeks to US trade negotiators, who realise that they will have little to offer a hostile US Congress when the talks conclude next summer. Japanese trade officials are concerned that frustrated US negotiators have taken their eye off the detail

and are making unreasonable demands for dramatic industry-wide changes.

In agriculture, the US has called for a phasing out of tariffs and export subsidies over the next 10 years, and in shipbuilding, the US has demanded that all subsidies, direct and otherwise, be abolished. A senior trade negotiator at the Ministry of International Trade and Industry (MITI) said that the unwillingness of the US to compromise on these grand demands is "unfortunate."

The Government has taken solace from seven consecutive months of decline in the total trade surplus, but MITI officials are aware that the fall has been exaggerated by currency fluctuations and oil import changes, and that the surplus could well increase next year as the Yen appreciates. It is taken for granted by MITI that the Yen will appreciate.

Gross National Product growth for the year to end March is expected to be around 4.8 per cent, but that figure

understates the surges in profitability in some sectors. The machine tool industry, leading off a striking rise in domestic auto sales, has reported a 30 per cent increase in orders in the first half to end June, and has a record order backlog. During 1986 and 1987, the industry struggled, as did shipbuilding, which was protected by a recession cartel until a few weeks ago and now has orders locked up until 1992.

Industrial output in the six months to August rose 7.3 per cent compared to 7.8 per cent in the previous six months, year on year, and real capital spending is expected to increase by just over 13 per cent for the fiscal year, the third successive year of a double-digit increase. More worrying for companies is the prospect of a vigorous campaign by the trade union movement next year during the annual "spring wage offensive."

The labour shortage, together with an expected 2.6

CONTENTS

- Motor industry: 2
- Recruitment: 2
- Retail industry: 3
- Semiconductors: 3
- Construction: 4
- Aerospace: 4
- Production equipment: 4
- Shipbuilding: 6
- Airlines: 6
- Liquor industry: 7
- Power supply and distribution equipment: 7
- Domestic appliances: 8
- Components: 8
- Toys: 9
- Profile: Tony: 9
- Tourism: 10
- Handicrafts and traditional industries: 10

Exchange rate (Av Jan-Nov 88, 1989): £ = ¥225.57, \$ = ¥137.63
Editorial production: Roy Terry

per cent increase in consumer prices for the year, have combined to give employees a strong argument for a larger than usual wage hike, but companies will argue that a large increase will simply fuel inflation. The negotiations will be a test of Shin Rengo's intentions and cohesion.

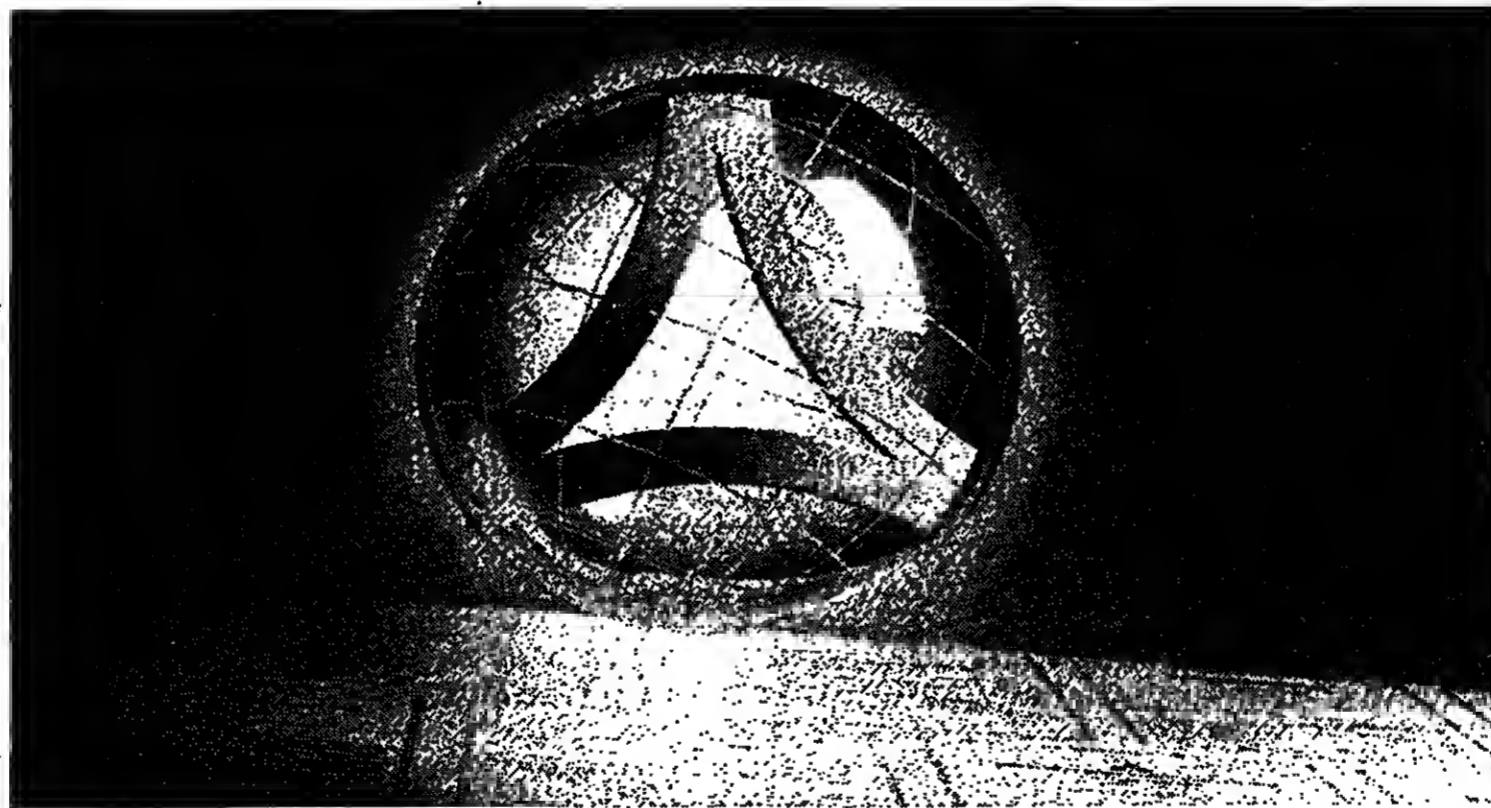
With private investment fuelling growth, the Government has had little need to stimulate industry with a lavish public works package, although Washington suggests that such a programme would push the Japanese economy towards maturity and provide opportunities for US companies. One of the US arguments in the SII talks is that Japan's complex distribution system is not unlike the US system of early this century.

One of the curiosities of the present phase of economic growth is that larger Japanese construction companies have become reluctant to take on some public works projects, regarded as unprofitable because the allowed budget does not take rising labour and materials costs into account.

The Government has proposed an 11.4 per cent increase in budget spending for 1990, but debt service charges and grants aside, the general account increase will be only 3 per cent, which is the ceiling fixed by Ministry of Finance earlier this year. The Bank of Japan, the central bank, is also expected to keep monetary policy tight for fear of a surge in inflation.

Having been surprised by the growth capacity of the economy, Japanese companies are asking the obvious question of how much potential remains. For next year, at least, it is likely to be more of the same.

GLOBAL CONNECTIONS



Yamaichi helps clients to maximise their financial potentials worldwide, with everything from diversified investment to international debt and equity financing.

As a fully integrated financial institution with broad international expertise, Yamaichi is providing customers worldwide with a one-stop source of financial services. From brokerage, portfolio advice and fund management to innovative corporate finance and M&A assistance. Ask us how global integration can make the best of your world.



Yamaichi Securities Co., Ltd., Tokyo, Japan Tel: 03-276-3161 Telex: 122505 YAMAYORK
Yamaichi International (Europe) Limited: London Tel: 01-639-5599 Telex: 887414 YSCLDN G Yamaichi Bank (L.L.C.) F.R.G.: London Tel: 01-600-1188 Telex: 618549 YBKLDN G
Yamaichi International (Netherlands) N.V.: Amsterdam Tel: 020-6645968 Telex: 15772 YAIN NL Yamaichi International (Deutschland) GmbH: Frankfurt Tel: 069-71020 Telex: 4-14986 YAMA D
Yamaichi Finance S.A.: Paris Tel: 1-42-89-11-85 Telex: 648973 YAMA AF Yamaichi International (Middle East) E.L.C.: Bahrain Tel: 533-422 Telex: 648819 YAMAIB BN
Yamaichi Bank (Switzerland): Zurich Tel: 01-228-6511 Telex: 616-420 YAM CH Geneva Branch Tel: 022-7324585 Telex: 412317 YAM CH Lugano Branch Tel: 091-226313 Telex: 648347 SKOPCH
Yamaichi Office: Tel: 02-7600977 Telex: 335572 YAMAMI I Madrid Office: Tel: 91-463-0883 Telex: 27182 YAMAAD-E
New York, Chicago, Los Angeles, San Francisco, Montreal, Toronto, Hong Kong, Singapore, Sydney, Melbourne, Beijing, Shanghai, Seoul

Issued by Yamaichi Securities Co., Ltd. and for the purposes of Section 57 of the Financial Services Act 1986, approved by Yamaichi International (Europe) Ltd., which is a member of The Securities Association.

JAPANESE INDUSTRY 2

MOTOR INDUSTRY

Taste for style and class

THE Japanese car market has become an international test track for local automobile manufacturers, who are experimenting with "boutique" production runs of customised cars to cater to the emerging individualism of young Japanese, and who are perfecting their luxury cars in a market that has developed a taste for and the means to buy class.

Sales last year rose by 12 per cent from the 3.06m vehicles sold in 1987, and the Ministry of International Trade and Industry (MITI) expects that the number of vehicles owned in Japan will rise from 52m last year to 64m in 1995 while, at the same time, present owners will be replacing vehicles over shorter periods.

A surge in luxury car sales this year was assisted by a change in the tax structure in April which favours models with larger engines. However, even bearing that in mind, the increase is still dramatic. In April, sales of 2,000c-plus cars rose 78 per cent year on year compared to the same month a year earlier, while the increase in May was 65 per cent, June, 76 per cent, and July 74 per cent.

Mr Masayuki Saito, managing director of Nissan Motor, said that the two most important trends in the domestic industry are the increase in total demand and the "high class orientation" of purchases. He said the emphasis on luxury is shown in sales of larger vehicles and in the demand for more expensive smaller vehicles which was 40,000 a month last year, and is running at 60,000 a month this year.

A Toyota spokesman said the social profile of luxury car buyers in Japan is changing. "Smaller luxury cars and imports have shown strong growth and the buyer breakdown has begun to change to include salaried workers as well as middle and lower income individuals - that segment has begun to take on the characteristics of a more general, or popular, market."

Imported cars, particularly Mercedes and BMW, have done well from the "high class orientation" and image consciousness of the increasingly diverse market. The foreign share last

year was 3.7 per cent, up from 3.1 per cent in 1987, and 2.3 per cent in 1986. As well, the range of dealer outlets for foreign vehicles has grown to include department stores and even supermarket chains.

One of the more difficult-to-quantify influences on the market is the high price of land in Japan. The surge in prices in recent years has put a new home beyond the reach of an ever larger number of individuals and families, so it is believed that they are buying better quality cars with money that would have been put away for a home. Higher prices have also given present landowners more leverage and a reason to take their vehicle upmarket.

Toyota said it has not done any studies to monitor the effect of land prices on car purchases, although "our inclination is to think that there has not been that big an effect," while a Mazda spokesman said "car buying habits in the metropolitan zone" may have been affected, and Honda suggested that "buying habits" have been affected. It is not in the interests of car makers to be seen to be profiting from the politically sensitive issue of land prices.

The growth in domestic demand has prompted makers to expand production capacity, but MITI is reported to have asked that the companies exercise restraint as there are fears within the ministry that surplus capacity at the new plants could be exported and thus exacerbate trade tensions.

Toyota has plans to add a single assembly shop to its domestic operations with a capacity of 15,000 units a month of Lexus LS400 and Celisior. The plant is due to begin production in autumn next year, and the company says it has not received any advice from MITI. Nissan is considering a new line with a capacity of 20,000 units a month to be opened in autumn 1991.

Mazda plans to expand capacity at one plant and scrap outmoded lines at another, and insists "this decision was made independently at Mazda in view of the surrounding situation." Honda is to increase production capacity of sports cars by 6,000 units, and concedes "MITI is likely to discourage



Nissan plant, Oppama: share of passenger car market up

car makers from expanding capacity, though our aim is not to aim for large capacity."

While Toyota said that the present demand for volume production cars is distracting attention from customised, small volume vehicles, Mr Saito at Nissan said that Japanese consumers increasingly want to "differentiate themselves." A Daiwa Securities report on the "automobile boom" said that "niche marketing" has been a success at Nissan both in sales and image management.

Nissan's marketing successes in the past year have pushed up its share of the passenger car market from 23.3 per cent last year to 26.6 per cent in the first seven months of this year, while Toyota remains the market leader with around 50 per cent. Honda, Mazda, Mitsubishi, Isuzu, Fuji Heavy Industries, which makes Subaru cars, Daihatsu and Suzuki follow.

The market leaders share different views on the international adaptability of automobiles. Mr Saito said that Nissan believes that "taste does not

change very much from country to country." He said that the company had previously focused on the "lead country" idea, with significant changes being made to models in different countries, but has been converted to the philosophy of the "global car."

The Toyota spokesman said "international marketing is a misnomer" because "every market is different and the products we sell try to reflect this. While difference is reflected largely in equipment rather than styling at present, as our operations are further globalised and research and development capabilities are strengthened overseas, the differentiation will become even more apparent for the separate markets."

Both companies agree demand in the domestic market will remain strong. Mr Saito said growth is likely to remain high next year, and then settle at 3 to 4 per cent annually, while Toyota expects long-term growth will be around 3 per cent annually.

Robert Thomson

Caroline Southey reports on Japan's acute labour shortage

A jobseeker's paradise

FOR THE moment Japan is a job seeker's paradise. Major Japanese companies are running talent sweepstakes as the country's acute labour shortage starts to make itself felt on expansion plans.

The average university graduate this year has received more than two job offers. In August the ratio of job openings to job seekers was 1.32:1 with the unemployment rate at 2.25 per cent, putting the number out of work at 1.41m.

The most disturbing feature of the labour shortage for the government and industry, is that it is not confined to one sector. Sectors most affected are construction, service industries and vehicle manufacturers. All blue-collar occupations face serious shortages.

The Ministry of Labour, in a recent survey, found that 46 per cent of respondents at vehicle plants said they suffered labour shortages in August this year, 41 per cent in the service industry, 41 per cent of machine tool manufacturers and 39 per cent in the construction industry. Most companies predicted that the situation would deteriorate in the final quarter of this year.

No sector - either in manufacturing or non-manufacturing - claimed to have enough workers. The chemical industry appeared to be the most comfortably placed with only 6 per cent reporting a shortage of labour, although companies expected this to rise to 8 per cent by the year end.

Schroder Securities recently reported that shortages of skilled construction workers led to 31 out of 167 Tokyo Metropolitan public-housing projects failing to attract bids within budget in the last fiscal year. Carpenters, plasterers, and scaffolders were hard to find in metropolitan areas, and the wages for some skilled jobs had risen by 50 per cent in two years in the Tokyo area.

But, Schroder concluded, the temporary pressure on profit margins from increased labour costs was being alleviated by the use of imported materials and foreign labour, and in the case of the larger companies, by automation.

There appears to be no evidence to suggest a significant easing of labour market conditions in the short term. However, the Ministry of Labour



Tomorrow's workers: more than enough jobs to go round

and some research analysts believe the shortage has peaked.

"We will soon see the peak out period," says Mr Masaru Takagi at Fuji Research Institute. "There is no danger that we will have the same labour shortage in five year's time."

Mr Takagi's optimism is based on two assumptions: that economic growth will begin to slow and that industry and the government will take action to attract workers, who for reasons of age or sex, are not being drawn into the labour force.

Statistics merely reflect a truism about Japanese society - workers retire early. There has been steady pressure on Japanese companies to increase the retirement age which has been officially raised from 55 to 60. Last year 55 per cent of all companies set 60 as the retirement age for men, compared with 43 per cent in 1982.

The Ministry of Labour says it is not considering raising the retirement age to 66, but is providing "administrative guidance" to companies to re-employ, retrain and encourage older workers to stay on.

Flexibility over retirement is particularly sensitive in Japan because it is feared the demography of Japan's rapidly ageing society will create long-term

labour shortages. By 2025, Japan will have the highest (one in four) ratio of over-65s to its total population, compared with its present situation of having the lowest (one in 11) among leading industrial countries.

The notion that women workers, particularly those with children, should remain part of the work force is also novel in Japan. The OECD, in a 1986 study on the age profile of female workers in Japan and US, found a sharp drop in the number of women employees in Japan between 20 and 25, compared with the US.

In both countries, more than 72 per cent of all 20 to 25-year-old women worked. This then dropped to 55 per cent in Japan for the over 26s, but remained virtually static in the US.

The number of women in the work force has risen little in the past five years - from 23.24m in 1983 to 24.73m in 1988, making up 35.3 per cent of the total work force in 1988, compared with 36.8 per cent last year. In service industries, the number of women as part of the total workforce stood at 5.12m in 1988, against 4.46m five years earlier and 4.4m in manufacturing compared with 4.09m in 1983.

One reason for this is that women are actively encouraged to leave work, either after marriage or after having children. Fuji Research's recommendations to reverse this trend include accommodation of part-time workers; extension of insurance benefits to part-time workers; special "career breaks" of up to two

years for women with small children and the establishment of childcare facilities, by government and by companies.

The Ministry of Labour's approach to the problem itself reflects the ambiguity in Japanese society towards working mothers. It says it is working on proposals which would make it possible for women to fulfil their roles as "home-makers" and to hold down jobs. "We have to make it possible for women to fulfil both functions," said Mr Hidetaka Tanihara, deputy director in the Ministry of Labour's foreign workers' affairs office.

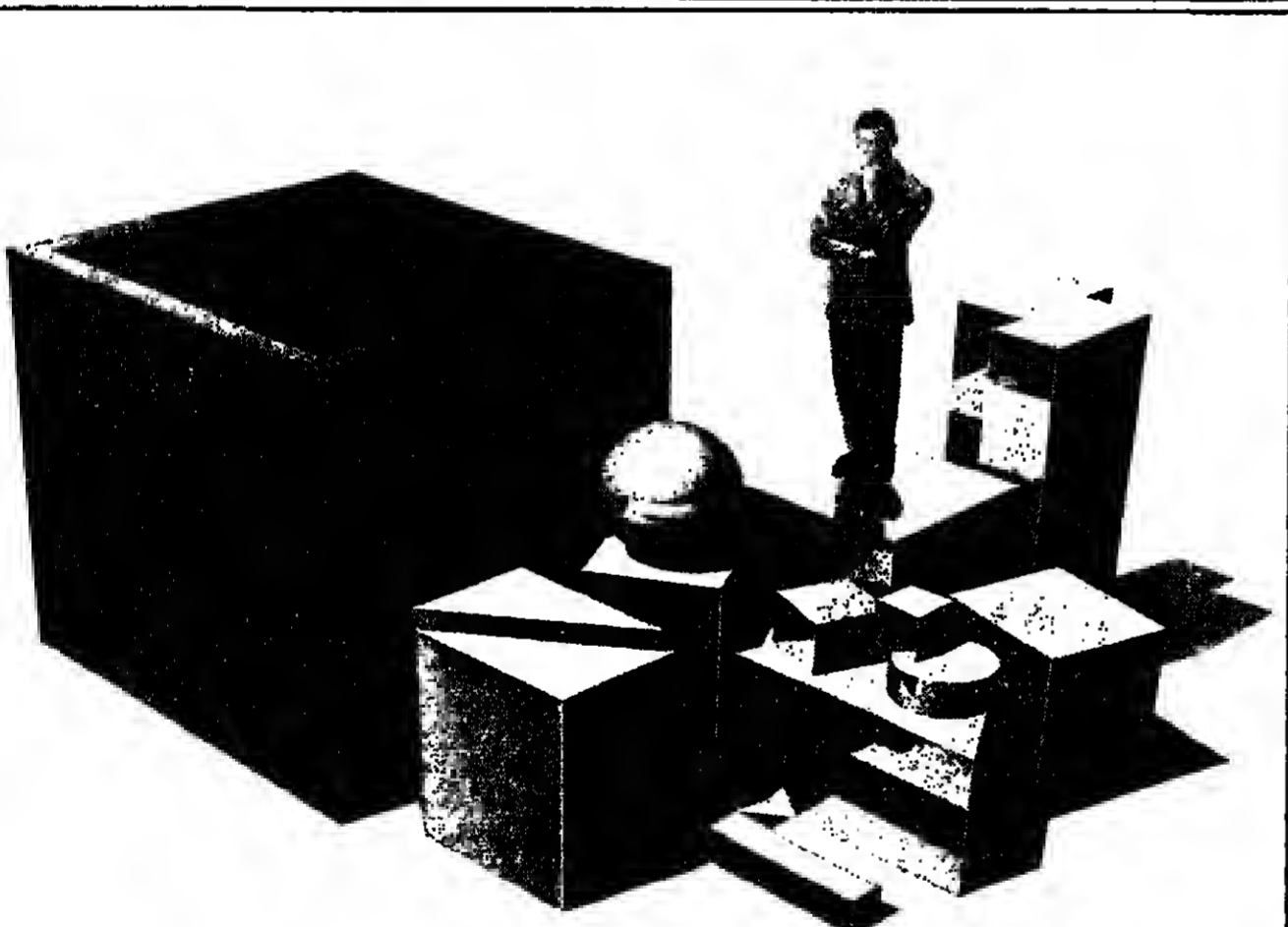
Behind this creative approach to employment practices is the determination by government ministries to stem the flow of foreign workers.

Foreigners with legal working visas rose from 42,776 in 1982 to 51,407 last year, while there are an estimated 70,000 foreigners who have overstayed visas of various kinds and are still in Japan. The Ministry of Labour estimates that 150,000 foreigners are working illegally.

The Ministry admits it is under pressure from trade unions and larger companies on the one hand who are against a large influx of foreign workers, and smaller companies on the other - particularly in the steel, construction and services sectors - who consider the shortage severe enough to warrant the acceptance of foreign workers, even on a temporary basis.

There are two particularly strong arguments against an influx of foreign workers. The first is the fear that, in a country as homogeneous as Japan, racial problems similar to those of the US and Europe could develop. The second is that, during a continuing period of industrial structural change, the establishment of a cheap labour market could interfere with increased mechanisation and modernisation. Already in some areas the labour shortage is speeding up automation.

For the Labour Ministry the labour shortage is to be welcomed. "It is forcing companies to improve conditions for the work force and it is forcing them to modernise," said Mr Mitsuru Takahashi, deputy director of the ministry's employment policy division.



Which cargo would you load first?

NYK's proprietary vanning software gives the right answer right away.

NYK's Optimum Vanning System graphically produces the most efficient vanning plans for various cargo sizes and weights in the containers of your choice. So you'll always know the perfect sequence for ideal loading.

NYK clients can achieve close to 100% loading efficiency. And can expect to cut their shipping costs by 5%. And vanning time by about 80%. Container quantities are exact and the best package sizes can be precisely determined. Significant savings in time and money are assured.

The Optimum Vanning System is only one of NYK's many advanced services providing truly better answers for our clients.

Point-to-point total global services.



Head Office: Tokyo, Japan Tel (03) 284-5151 London Branch: Tel (01) 293-2099 Office: Sydney # Res. Reps.: Hamburg Tel (040) 3503148, Düsseldorf Tel (021) 1 370823, Paris Tel (01) 4261-5483, Milan Tel (02) 664416, Middle East/Morocco Tel (01) 453-2646, Jordan, Malindi, Sao Paulo, Buenos Aires, Mexico City, Santiago, Yohven, Dubai, Melbourne, Seoul, Taipei, Kuching # Subsidiaries: NYK International P/LD # Head Office: London, UK Tel (01) 529-2323 # NYK Bulkship (Europe) Ltd # Head Office: London, UK Tel (01) 495-5282 # Office: Oslo Tel (01) 51 2300 # NYK Line (North America) Inc. # NYK Line (Canada) Inc. # NYK Line (Hong Kong) Ltd. # NYK (Thailand) Co., Ltd. # NYK Line (Singapore) Pte, Ltd. # NYK Bulkship (USA) Inc. # Crystal Cruises, Inc.



Why does he work for a steelmaker if he's breaking new ground in electronics?

When Takashi Sato tells people about his job, they often ask him why one of Japan's largest steelmakers is working in electronics. Then the promising electrical engineer reminds them that NKK Corporation is bringing decades of experience to new fields.

In electronics, we're already a supplier of integrated computer technologies. From materials to hardware and software. With applications in product design, development and engineering.

Which isn't so surprising when you come to think of it. Over the last three-quarters of a century, we've made our name in shipbuilding and engineering. Recently, our laboratories are focusing on biotechnology and advanced materials as well as electronics. We're also pursuing a number of urban development projects.

All in all, that probably doesn't sound like the steelmakers you're used to. But NKK is not your typical company these days. Because of innovative ideas, new technologies and people like Takashi Sato.



Headquarters: Tokyo U.K. Subsidiary: NKK (U.K.) Ltd. Principal Overseas Offices: Düsseldorf, Rotterdam, New York, Los Angeles, Houston, Vancouver, Rio de Janeiro, Bangkok, Beijing, Hong Kong, Jakarta, Singapore, Al-Khobar

JAPANESE INDUSTRY 3

Laws impeding the spread of chain stores under attack at home and abroad

Protection for small business

THE small shopkeeper in Japan has powerful friends. If he did not, he could not have defended himself so well over the past year from persistent attack from Western trade officials.

Western governments, desperate to find ways of maintaining pressure on Japan over the size of its surplus of exports over imports, have this year singled out Japanese retailing as a prime example of a hidden barrier to trade. They argue that it is easier for an importer to sell to one large group than scores of individual retailers. But the target has proved elusive.

Japanese government officials have skillfully channelled the assault on the shopkeeper into a wide-ranging and complex discussion over the differences between Japan and the US institutionalised in the Economic Planning Agency subsequently published a report showing that Tokyo prices were on average 40 per cent higher than in New York, or in Hamburg. Miti this summer made public a report on retail distribution reform. It was designed to answer criticism about the operation of the Large-scale Retail Store Law, which controls openings of large new stores. It gives small shopkeepers the right to delay, sometimes for more than 10 years, the opening of a new store.

In the event, Miti has recommended setting a two-year limit on negotiations, much to the disgust of large retail

chains which have pressed for complete abolition for a long time. In other Western countries, notably in the UK and in the US, small shops have steadily lost business to large supermarkets, which offer consumers more choice and lower prices. But in Japan, small

shops have proved resilient. Like Japanese farmers, who are also well protected by law, they exploit the banking of fast-moving city people for a sense of stability in their lives. "The distribution system is a social system with its roots buried deep in history and culture," the distributors get the party's support.

Most important of all, the proliferation of small shops and of the wholesalers which serve them allows the country's manufacturers to wield great power over the distribution system. The country's retailers are mostly beholden to the manufacturers, who can dictate terms and prices. Many retailers are grouped in anti-competitive associations with one large manufacturer. Consumer electronics groups control stores accounting for some 45 per cent of their sales.

Matsushita Electric Industrial alone has 25,000 shops, which rely on Matsushita for 70-100 per cent of their stock, although this regime is slowly breaking down. About 140,000 small stores closed between 1982 and 1988, the date of the last published commercial census. A supermarket usually requires a large site, which is rarely available in big cities. Chain stores have grown by recruiting small store owners as franchisees, bringing the advantages of large-company efficiency into the traditional shopping street.

Even though Miti has been particularly effective because they bridge the gap between the small store and the supermarket. A supermarket usually requires a large site, which is rarely available in big cities. Chain stores have grown by recruiting small store owners as franchisees, bringing the advantages of large-company efficiency into the traditional shopping street.

shopkeepers have successfully persuaded the Government to guard their interests at the expense of consumers. One reason is cultural. Small shopkeepers are the life and soul of urban Japan. Japanese cities have grown so rapidly since the Second World War, that even communities which seem well-established are young by European standards. Shopkeepers hold these com-

	Japan	US	UK
Number of retail stores	1.82m	1.5m	343,000
Number of wholesalers	437,000	376,000	85,000
Retailers per 10,000 people	132	65	61
Wholesalers per 10,000 people	38	18	17
Retailers per wholesaler	3.7	4.0	3.6

*Data for Japan 1988, UK and US 1982. Source: Japan Chamber of Commerce and Industry

mercial division of the Japan Chamber of Commerce and Industry recently said in a report.

Next to the owners of the country's 1.8m small shops, together with their families, account for some 20m votes - most of them cast for the ruling Liberal Democratic Party. The LDP needs the shopkeepers to organise voters at election time - in return the shop-

keepers get the party's support.

Chain stores have been particularly effective because they bridge the gap between the small store and the supermarket. A supermarket usually requires a large site, which is rarely available in big cities. Chain stores have grown by recruiting small store owners as franchisees, bringing the advantages of large-company efficiency into the traditional shopping street.



Sogo store, Kobe: chain stores bridge the gap between small stores and supermarkets. Gyo Goto

Demand slumps, investment needs and trade pressure test resilience

Gearing for tomorrow's silicon chip

JAPAN'S powerful semiconductor industry is gearing up for challenges in the next few months. In the marketplace, there are worries that the dreaded silicon cycle, which has caused a boom-and-bust pattern of chip demand in the past, is once again entering its downward segment.

At the same time, the technology cycle is asserting itself again, forcing the industry to invest huge amounts of capital to tool-up for volume production of the next generation of four megabit dynamic random access memory (DRAM) chips.

Meanwhile, rumbling in the background is the ongoing friction with the US over access for foreign chipmakers to the huge Japanese market.

If all this seems a bit daunting, it should be placed against the background of the past three years, during which the industry has enjoyed unprecedented demand and profit growth. According to World Semiconductor Trade Statistics (WSTS), the value of the world semiconductor market soared from \$26.4bn in 1986 to \$45bn

last year, and is likely to reach about \$50bn this year. Japanese producers account for half of total world production, so they have been among the main beneficiaries of this boom.

Toshiba, Hitachi, NEC and other big Japanese electrical groups have all acknowledged that the strength of semiconductor demand has been a major contributor to profit growth.

However, from about June this year markets for one megabit DRAMs, now the standard memory chip, began to weaken. After nearly two years in which prices for these chips were more than ¥2,000 apiece, they fell to around ¥1,500 and, according to recent reports, are now approaching ¥1,000.

A number of factors is contributing to this situation.

Demand for memory chips has been weakening in the US and Europe for several months, apparently in anticipation of a general economic downturn. Moreover, once prices started to weaken, customers tended to postpone orders in anticipation that, as in previous cycles, prices would soon fall much further.

Nevertheless, Japanese industry leaders and analysts are fairly optimistic that no serious collapse is in prospect. They say the structure of the industry has changed dramatically in the past few years from one in which there were many suppliers to one in which the top six suppliers, all Japanese, account for well over 75 per cent of total world production. Thus, the potential for maintaining orderly markets has improved.

The producers have an additional incentive to maintain prices at a reasonable level. Under the 1986 US-Japan semiconductor agreement, Japanese producers committed themselves to eliminating the dumping of chips. If it looked as if the one megabit DRAM price was approaching what the US side calls the fair market value (FMV), it is a fair guess that the Japanese producers would take drastic action to stop the rot.

Mr Tsuyoshi Kawanishi, senior vice-president of Toshiba, said recently that he was not worried about hitting the FMV because margins on one megabit DRAM margins had been rather high up to now. "But we must avoid a collapse in prices," he said.

Industry leaders also point out that demand for one mega-

bit DRAMs is still growing rapidly, and should do so for another two years at least. From an estimated 470m pieces this year, Mr Kawanishi forecasts that world consumption will rise to 700m pieces in 1991.

Thus, the problem is one of balancing production with demand. Some analysts became nervous about that balance early this year, when it emerged that the industry's capital spending plans remained very ambitious. Original published estimates indicated that combined capital spending in the semiconductor divisions of the seven top Japanese producers would reach ¥45.6bn, 10 per cent higher than in 1988. As the year has progressed, plans have expanded, and it now looks like these companies will spend a combined ¥50.6bn this year.

The companies claim most of this increase is to get production of four megabit chips under way and to accelerate moves to step up overseas production. For example, NEC decided in May to make a ¥500m investment in a new factory in California to produce four megabit DRAMs.

Meanwhile, the industry's three year old trade headache with the US appears to be easing slightly. The US Semiconductor Industry Association published in October its annual assessment of Japan's compliance with the agreement and noted "an increasing willingness by the Government of Japan and Japanese electronics firms to work on ways to achieve their commitments under the agreement."

In the spring of 1987, less than a year after the agree-

ment had been signed, the US side imposed sanctions against Japan in the form of punitive 100 per cent tariffs on a range of Japanese products, for alleged violations. US complaints that Japanese producers were dumping chips have long since disappeared as the world market tightened and prices rose. However, the US has remained unhappy about progress on the other main issue, access for foreign chip suppliers to the Japanese market.

Japanese officials used to claim that the slow progress was due partly to the fact that the market was growing rapidly during this period, so it was difficult for anyone to gain share. Also, US suppliers, it was suggested, did not make the kinds of chips Japanese users wanted.

However Mr David Metz, executive director of SIA's Japan office, said that these arguments tended to fade away when the US Government threatened earlier this year action under the super 301 provisions of last year's trade act. By then, the big six electrical

groups in Japan were already buying close to 20 per cent of their chips from foreign suppliers, but progress among small consumer product makers and in the motor industry was much slower.

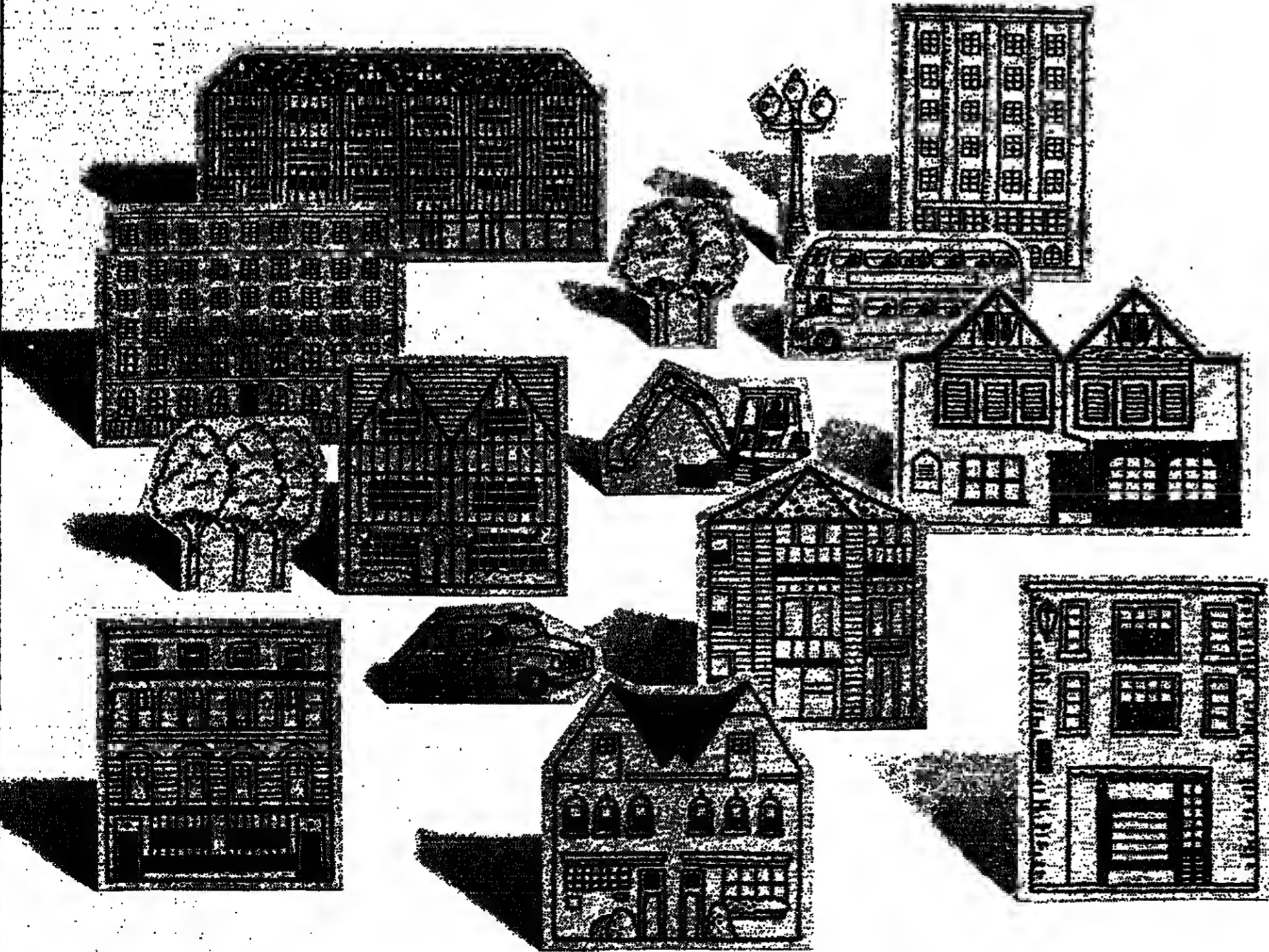
The Ministry of International Trade and Industry (Miti) then called in these groups and demanded that they set out plans for increasing their use of foreign chips. Also, a task force was set up to iron out the alleged mismatch and supply problems.

For their part, foreign companies have built up their Japanese operations substantially to improve sales and service in this market.

US companies have opened 17 design centres and have more than 60 sales offices through the country. Last month, Texas Instruments Japan broke ground on the construction of a \$40m research and development centre at Tsukuba near Tokyo. "We no longer hear complaints about quality, cost, delivery and service," Mr Metz says.

Ian Rodger

The Urban Celebrity



A great urban centre is like a gigantic maze full of people, traffic and buildings. Construction sites in such metropolis can vary from narrow alleyways to heavily travelled streets. In order to fit right into these work sites, an equipment must be both compact and versatile. Kubota, the comprehensive manufacturer of agricultural machinery, ductile iron pipes, irrigation system, waste treatment facilities, and much much more, has come up with the world's first series of mini excavators to solve this problem. Powered by their own dependable engines, these compact excavators display their true qualities in tight spaces. Ever since their introduction into the market, these mini excavators have been popular in great urban centres and their their suburbs. Today, these mini excavators are being produced in West Germany as well as Japan. So, take a closer look at the next road construction site. You might just find one of our European made urban celebrities at work near you.



KUBOTA

• Kubota, Ltd. London Office:
11/12 Hanover Street, London W1R 9HF, U.K. Phone: (01) 629-6471
Telex: 263235 KUBOTA G Facsimile: (01) 629-6915

• Kubota (U.K.) Limited:
Dorner Road, Thame, Oxon OX9 3UN, U.K. Phone: (84) 421-4500
Telex: 837551 KUBOTA G Facsimile: (84) 421-6885

• Kubota Baumaschinen GmbH:
Steinhauser Straße 6860, Zweibrücken, Federal Republic of Germany
Phone: 6332-44055

JAPANESE INDUSTRY 4

Robert Thomson looks at the construction industry

Building on success

THERE is a love of the new in Japan. The used car market is relatively small, second-hand televisions are virtually impossible to sell, and now the construction industry is thriving on the desire of companies to rebuild office complexes or just to make their buildings "more intelligent".

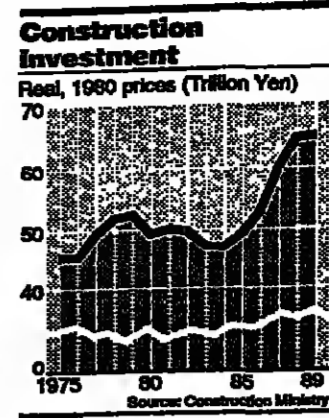
These are good times for the biggest contractors, which are struggling to find workers to keep pace with orders, and which have become selective about taking on less profitable public works projects.

The shortage of labour has lifted salaries by about 50 per cent over the past two years, and, combined with rising raw materials prices, has made some general contractors reluctant to take public works projects, which are often budgeted a year earlier and leave little room for cost fluctuations.

Mr Yamada said some public works jobs cannot be taken "because of the supply and demand problem" and the larger construction companies agree public works budgets should be increased because

"we could end up in the red on these projects." "We have to take certain public works projects because we have to maintain a relationship with the government."

For Washington, the case confirmed suspicions that Japanese construction companies, using a "dango" system, collude to exclude competition.



Source: Ministry of Construction, Economic Planning Agency

construction company committed to a project. In the past two years, negotiated work as a percentage of orders has risen from about 70 per cent for the largest companies to around 75 per cent, with one company apparently negotiating without tender for just 85 per cent of its contracts.

Table with 12 columns representing fiscal years from 1981 to 1989. Rows include Gross National Product, Construction Investment, Construction Investment Index, Public construction investment, Private construction investment, and Ratio of construction investment to GNP. Each cell contains numerical values and percentage ratios.

JAPAN'S fledgling aerospace manufacturers, set to take off into foreign skies, are finding the doors to world markets wide open, with more than a few beckoning calls from the other side.

Meanwhile, the Europeans are also stepping up efforts to woo the Japanese. The French Grouperment des Industries Aeronautiques et Spatiales (Gifas) came to Tokyo last month to discuss joint development of parts.

Continuing orders by Japan's Self Defence Agency and various joint defence production programmes with the US will offer further possibilities as well.

The world is inviting Japan to join it in new ventures

The world is inviting Japan to join it in new ventures

Aerospace interest takes off

The industry's giants in the US and Europe have turned increasingly to Japan in their search for partners

While the controversial US-Japan joint fighter project, the FSX, has seen something of a protectionist uproar in the US, there is no doubt that the trend in the industry is set towards greater international collaboration in which the Japanese will be frequently sought as partners with an increasingly significant role to play.

But military technology has, in previous cases, been applied to commercial fields. It has often been pointed out, for example, that Mitsubishi Heavy Industries makes its MU-900 business jet on its F-15 production line.

Major advances in commercial aircraft manufacturing would be made more directly through ongoing joint projects such as the medium-sized B737 being developed with Boeing.

Work is also in progress on the development of EBCST aircraft, which is another area where MHI would like to see Japanese initiative, particularly in the development of an engine and airframe.

Work is also in progress on the development of EBCST aircraft, which is another area where MHI would like to see Japanese initiative, particularly in the development of an engine and airframe.

Does this indicate the beginning of a Japanese challenge to Western leadership in aerospace? In the view of most analysts, probably not.

Future growth of the Japanese industry will stem mainly from continuing joint ventures

Inventory build, writes Mr Simon Hookway in a recent Baring Securities report. It also takes about 20 years to commercialise a new airliner.

Trade friction, particularly with the US, will continue to be a major concern of the industry and the government.

Inventory build, writes Mr Simon Hookway in a recent Baring Securities report. It also takes about 20 years to commercialise a new airliner.

JAPANESE industry across a wide range of manufacturing sectors is engaged in one of the most astonishing periods of re-tooling, factory re-equipment and capital investment on new production capacity.

Production this year, already Y723bn for the first eight months, is going to surpass the previous high of Y1.05 trillion (million million) in 1985.

On the shopfloors of Japan's powerful machine tool industry is domestic demand. And this is being led by Japan's motor industry.

Motor show was jam packed with new Japanese models. A large proportion of the more than 30 Japanese concept cars on show there are destined for production.

Machine tool manufacturers are creaking at the seams

Machine tool manufacturers are creaking at the seams

The word 'busy' redefined

If anyone wants to look at an industry that brings a new definition to the word "busy" they should take a peek at the Japanese machine tool and production equipment sectors.

Exports are doing well, up 12 per cent. But what is driving this enormous surge in activity

However, every new carburettor, cylinder head or back axle component that arrives on the market for the first time requires production changes at suppliers and subcontractors

There is a general shortage of many components and a lack of labour in the industry. This is despite an increase in the labourforce of the association's 112 members from just under 33,000 last year to 34,500 now.

Mr Abe believes there will not be very much new capacity introduced by Japanese machine tool makers because everyone can remember the more difficult years of 1985 and 1987 when the industry sought government help.

The pressure on domestic supply, might, however, further increase the pressures on Japanese machine tool companies to set up production facilities overseas.

right through manufacturing. The backlog on machine tool orders for general machinery, for example, was up nearly 40 per cent at Y224bn.

Mr Teruyuki Yamazaki, president of the company of the same name says labour shortages will be a major problem.

Joint ventures and other deals in technology and marketing have been few and far between and have tended to concentrate on common products like workstations.

Mr Teruyuki Yamazaki, president of the company of the same name says labour shortages will be a major problem.

Advertisement for IBJ (The Industrial Bank of Japan, Limited) featuring a list of group companies including Fujisankei Communications Group, Taiyo Gyogyo Kabushiki Kaisha, Barudan Co., Ltd., and others. It also includes contact information for Tokyo, London, and New York offices.

Nick Garnett

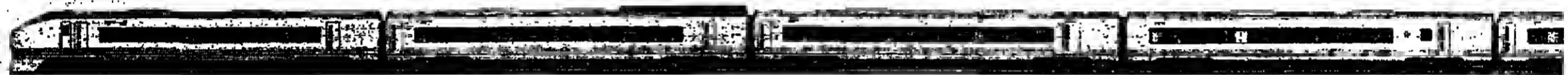
East Japan Railway Company On the Fast Track to Growth



The Company

Formed through the privatization of the Japanese National Railways (JNR) on April 1, 1987, the East Japan Railway Company (JR East) is Japan's largest railway company in terms of revenues, number of passengers, service area and track length. In fiscal 1989, ended March 31, 1989, revenues from railway operations rose 5.0%, to ¥1,613 billion (\$12,217 million), or 96.9% of operating revenues. Intensive efforts to diversify boosted revenues from other operations 66.5%, to ¥51 billion (\$386 million). JR East expects revenues from related businesses—including real estate, resort development, and hotel and restaurant management—to continue growing fast, equaling those from passenger railway services by the year 2000. Despite massive start-up expenses incurred in nonrailway activities, total operating expenses rose only 5.7%, to ¥1,330 billion (\$10,074 million). Net income soared 50.8%, to ¥41.4 billion (\$314 million).

Service Area



Boosting Profitability

Profitability is a prime concern of any enterprise. This is especially true in JR East's case, with JNR's loss-generating record on which to reflect. JR East's management and employees resolved from the outset to make their new company as profitable as possible and to guarantee safety, punctuality and service. Metropolitan Tokyo is our most important operating region, but it is a relatively mature market. We expect revenues to continue growing steadily, and we are emphasizing efficiency and new services to the ever-widening suburbs and outlying areas. Meanwhile, revenues from our Shinkansen Bullet Train network should also grow solidly. Related businesses, however, are slated as our prime growth area. We have substantial holdings of property and other assets in Tokyo. We can better use our physical resources and employees and more effectively tap our enormous customer base by diversifying into new business areas.

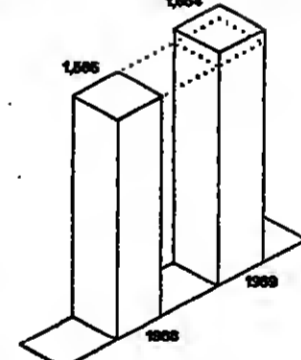
Unlike JNR, JR East is authorized to engage in nonrailway activities. We have established 14 subsidiaries in related fields because we recognize that autonomous companies are more aggressive and responsive to customer needs than directly controlled entities. We plan to form a corporate group with several satellite subsidiaries revolving around core operations. These subsidiaries will in turn support numerous affiliated companies. Advertising and distribution are two well-established satellite operations. Those slated for dramatic expansion include finance, hotel and restaurant management, real estate, and sports and leisure. Through these new businesses, we are confident of generating significant profits while providing an array of quality goods and services.



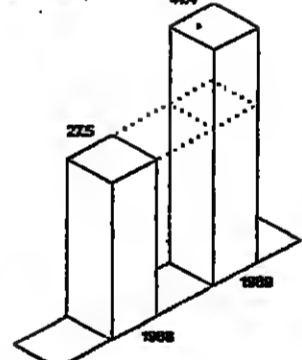
Strengthening Customer Confidence

New companies often have difficulty establishing an identity. JR East was no different. People knew JNR, but were not always happy with its service. JR East set out to prove that it was new and that it would put the customer first. After declining under JNR, the number of rail passengers and passenger kilometers in our operating area have jumped in the past two years. These rises are due partly to added train runs on our most popular lines, new low-cost, reserved-seat services for long-distance commuters and heavy investments in station refurbishments. We are transforming stations into community hubs with full amenities. Cultural activities have also helped change the traditional image of the station. It is no longer simply "the place to catch the train," but is becoming a destination in itself—an indication of already solid customer confidence in JR East.

Operating revenues (Billions of Yen)



Net Income (Billions of Yen)



Upgrading Our Technological Base

It is hard, but important, to improve on a superb record. JR East strives to better an on-time record that would be the envy of almost any transport company—an average departure delay in fiscal 1989 of 24 seconds, and an average of a mere six seconds for the Shinkansen. We also have an impressive history of safe operation: there have been no passenger injuries or fatalities on the Shinkansen. The goal of all JR East employees is to build on this performance, especially in terms of safety and punctuality, in line with ongoing training activities and a long-term companywide safety program. Keeping rush-hour trains running on schedule greatly reduces the likelihood of accidents caused by backed-up trains and overcrowded platforms. We have therefore replaced many older steel

railcars in the metropolitan Tokyo area with lightweight stainless-steel cars that travel faster. New railcars and the concerted efforts of our employees have cut intervals between trains, as reflected in the March 1989 timetable revision. We are also endeavoring to streamline our maintenance activities. One possibility is to employ more automated equipment, such as rail inspection devices for use on scheduled commercial trains rather than special inspection trains. JR East researchers are working to boost the maximum operating speed of the Shinkansen from 240 kph to 275 kph, and eventually to 300 kph. We are also developing the magnetic levitation (MAGLEV) linear motor train. In the long term, this investment will produce a quiet, high-speed transportation system more time-efficient and convenient than air travel.

For further information and copies of our Annual Report, Fact Book and other publications, please write to the Finance Department at our Head Office.

Corporate Data

Number of Employees: 61,857	Passengers Served Daily: 15 million (approx.)	Paris: Chemins de fer de l'Est de Japon
Number of Stations: 1,837	Population of Operating Area: 56 million (approx.)	Bureau de Paris: 24-25, Rue de la République, F-75008 Paris, France
Number of Rolling Stock: 13,753	Head Office: East Japan Railway Company, 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan	Phone: (1) 45-22-60-48
Daily Train Runs: 13,145 (As of March 11, 1989)	Phone: (03) 240-5663	Facsimile: (1) 43-87-82-87
Passenger Line Network: 7,478 kilometers	Facsimile: (03) 240-5618	



Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

JAPANESE INDUSTRY 6

Robert Thomson analyses how a failing industry went from recession to riches in 2½ years

Tide turns for shipbuilders

WITH a faint smile, Mr Wataru Satow explains that a customer wanting Ishikawajima-Harima Heavy Industries to build a ship will have to wait.

The order books are full, and Mr Satow, general manager of corporate planning, and IHI can allow themselves the luxury of building a yacht for a Japanese attempt at the next America's Cup.

From having been a member of a recession cartel until two months ago, IHI and other Japanese shipbuilders are looking for ways to expand capacity within government guidelines, set to salvage an ailing industry 2½ years ago. Then, the Ministry of Transport presided over a 24 per cent cut in capacity from 6m cgt (compensated gross tonnes), and the departure of 18 of 44 companies from the industry.

This year, Japanese companies have reasserted their dominance of the industry, having won 49.4 per cent of international orders in the first six months, up from 39.1 per cent last year. South Korean shipbuilders, whom IHI and other companies feared would overtake them, have slipped from a peak of 30.2 per cent of orders in 1987 to 23.1 per cent in the first half of this year.

IHI has plans to turn a repair yard into a full-scale shipyard, although Mr Satow emphasises that this is not a "new shipyard". The Ministry of Transport is still monitoring the industry, and is aware that a sudden increase in capacity would antagonise other countries with industries that have also undergone a painful retrenchment in recent years.

The issue is made more sensitive by intense US pressure for an end to subsidies to the shipbuilding industry, and by a recent attempt by the Shipbuilders' Council of America to have the US Trade Representative investigate allegations of unfair government support for the industries in Japan, South Korea, Norway, and West Germany.

Mr Takao Shinohara, the Transport Ministry's official responsible for shipbuilding, said that while the US did not pursue the shipbuilders' complaint, the Trade Representative has increased pressure for a removal of subsidies.

Japanese officials were surprised when Mr Lynn Williams, the deputy Trade Representative, headed a US delegation at a multilateral meeting several weeks ago. Mr Williams, renowned in Japan for his vigour in trade negotiations, was senior to Japanese representa-

tives, who interpreted his presence as a symbol of intensified US interest in the issue.

Mr Shinohara said Japan supports an end to subsidies but believes that they should be divided into two categories: those which obviously distort shipbuilding production, and restructuring subsidies are as bad as the government subsidies. In Japan, restructuring assistance has included the Designated Shipbuilding Enterprises Stabilisation Association buying the surplus land and facilities of troubled companies, and extending debt guar-

ance in that category.

Having been through two cutbacks in the industry, Mr Murai is cautious about the good times of the present. "There is a boom going on. In every country things are flowing, but we have to be careful not to make too many ships. We are still a bit unstable, and there is a lot of speculation going on in the market, so we have to make sure ships are being made to meet demand."

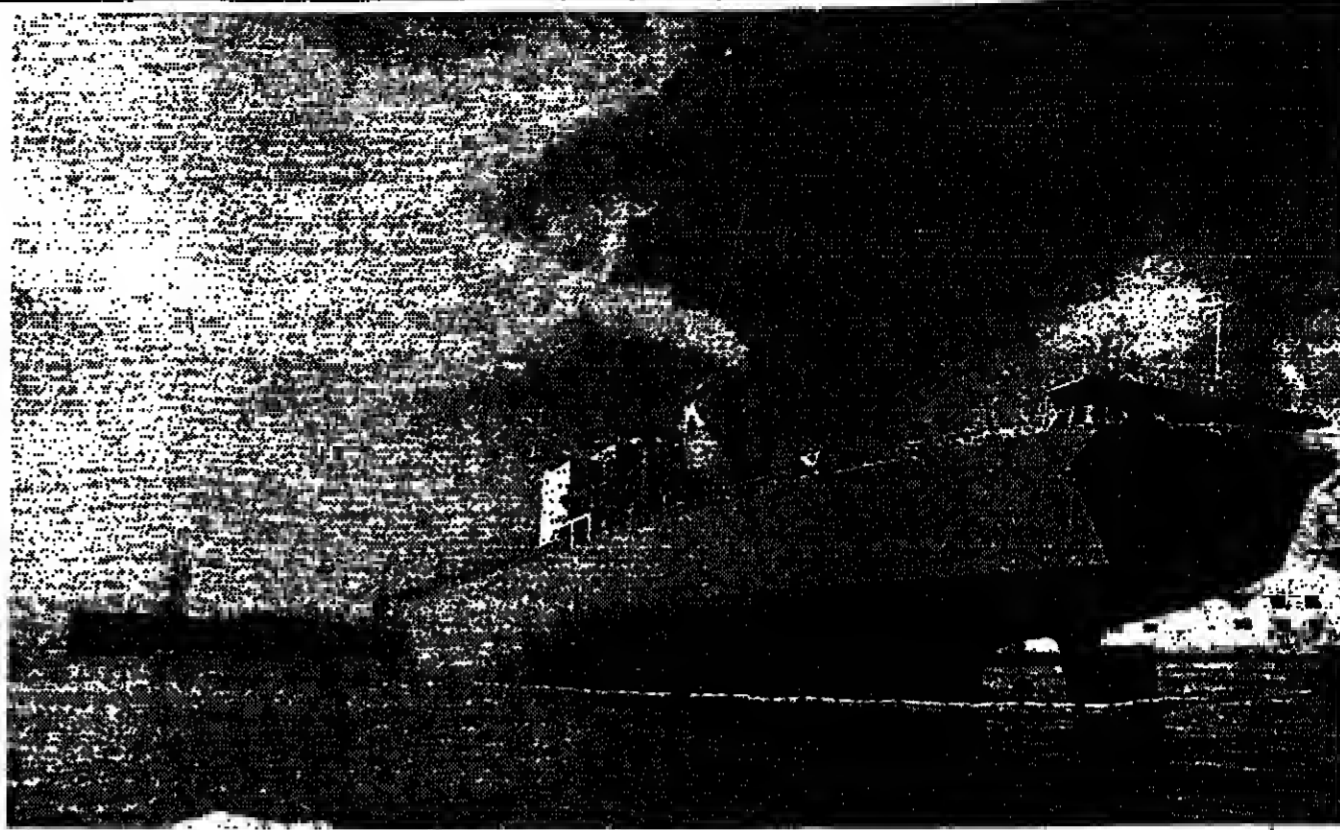
Shipbuilding is troubled by Japan's labour shortage. Mr Murai said that because of the difficulty of attracting young people to the industry, the average age of workers is increasing, and productivity is falling.

"It is a serious problem. The industry has an image problem, and even if we change the image, unless the type of work changes, people will not stay in the industry. We hear that in certain companies they can't afford to repair the inside of the factories, which is not good for the work environment," he said.

The Transport Ministry is attempting to change the public's perception of the industry by backing a project to produce a "Techno-Superliner", a high speed cargo vessel with the potential to be used to haul people to the industry, the service speed of 50 knots. Research on the vessel began this year, and is scheduled to

last until 1993, and Mr Takao Shinohara says that applications from university graduates to work in the industry increased after the project was announced.

"We believe that people don't only work for a salary. If they have a profession they want to develop, space age technology," Mr Shinohara said. The industry, he said, is



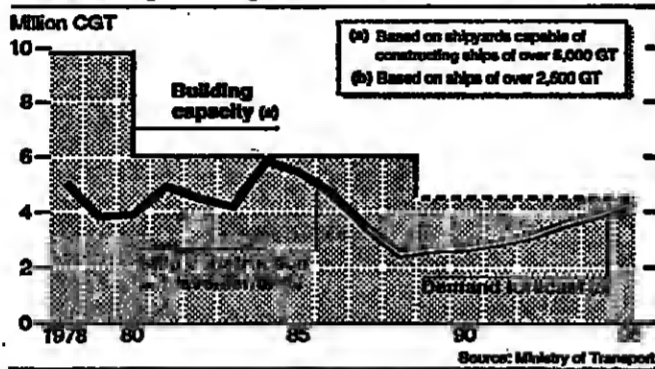
Mitsubishi shipyard, Kobe: the industry's leaders have shifted emphasis away from shipbuilding in recent years

This year, Japanese companies have reasserted their dominance of the industry, having won 49.4 per cent of international orders in the first six months, up from 39.1 per cent last year. South Korean shipbuilders have slipped to 23.1 per cent in the first half of this year

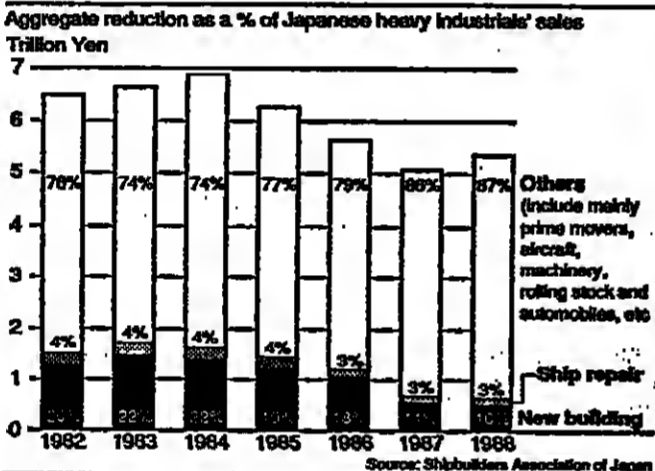
those which are of lesser importance. For example, he said, preferred tax treatment is very different to outright subsidies such as a government paying a certain percentage of a vessel's cost.

He said that Japan has abided by OECD guidelines in restructuring the industry and has reduced capacity from a peak of 9.5 cgt since 1980, but "the US is saying that the

New ship completion and forecast



Shipbuilding



AIRLINES

Embarrassment of profits leads to earnings cuts

JAPAN'S leisure surge is creating an embarrassment of profits for the nation's two big international carriers, Japan Air Lines Ltd and All Nippon Airways Ltd.

With an estimated 10m Japanese tourists headed for foreign shores this year — more than double the figure of five years ago — the Tokyo press has this year mounted an attack on high air fares. The hostile environment has prompted the two carriers to duck for cover, and to find ways of covering up what has been and is a profit bonanza.

In the past two financial years Japan Air Lines (JAL) and All Nippon Airways (ANA) have twice changed their depreciation policies, thus slashing stated earnings by tens of billions of yen.

S. G. Warburg Securities (Japan) aviation analyst Mr Tom Hill recently estimated that in fiscal 1988 and 1989 (which ends next March) JAL will have shaved stated profits by about ¥26.5bn as a result of depreciation charges.

ANA has made even larger profit cuts, Mr Hill says. He calculates the number two international carrier will effectively halve this year's earnings, shaving off ¥29.5bn, through tougher depreciation policies.

ANA's new fleet of Boeing 747-400 aircraft will especially be useful for profit trimming. Each aircraft is likely to be written down 30 per cent in its first year, ignoring that the market value of each plane is probably higher than purchase price.

The company is also shifting its high-profit domestic routes into a new company called Nippon Airways, whose profits will be non-consolidated to make ANA's profit look less awesome to the Tokyo press.

The Japanese aviation bonanza is set to continue for at least a decade. Infrequent overseas travellers before the yen escalated in 1985, the Japanese are only gradually building up to their full potential as tourists. Just 5.6 per cent of Japanese took an overseas trip in 1983. Almost 17 per cent of Americans, 48 per cent of UK residents and 42 per cent of West Germans travelled abroad in the same year.

Most industry analysts feel that the Japanese may never become as avid explorers of other parts of the globe as their American or European counterparts — partly because of Japan's distance from desired destinations. One is another factor. The average Japanese salaried worker has only seven days annual leave. Even short-hop flights to Hong Kong (four hours from Tokyo) waste two days of precious leisure time with travelling.

It is universally agreed the percentage of Japanese travelling overseas will continue to increase for at least a decade. The two big Japanese carriers can look forward to another decade of rising revenues and profits before confronting market maturity problems.

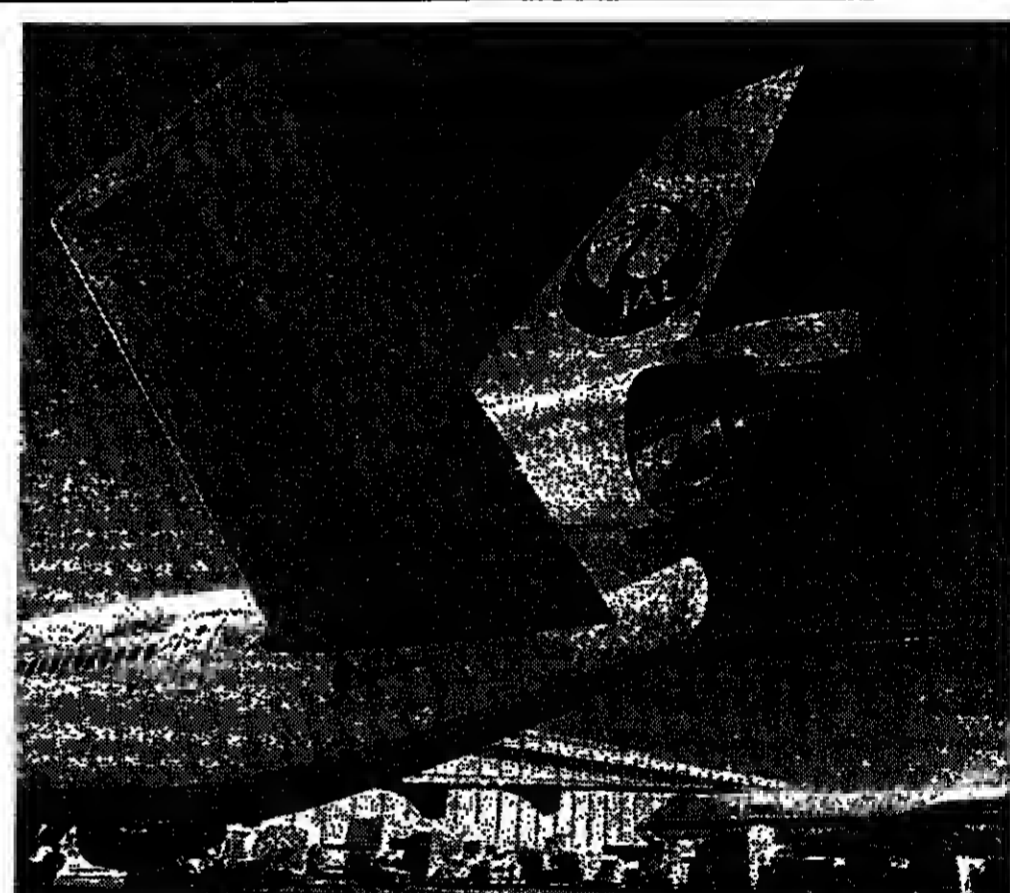
Mr Geoffrey Tudor, JAL spokesman, says: "We expect an annual growth rate in revenue per passenger kilometre

of Japan to increase by 6.5 per cent a year until the year 2,000." Although the long-term picture for JAL and ANA is rosy, short-term blockages in Japan's aviation infrastructure will moderate growth over the next three or four years. But the Transport Ministry, aware of the profits, has cut domestic fares by 6-10 per cent.

The big problems the industry needs to resolve are capacity and convenience. At present, Japan's two big airports, Narita (Tokyo) and Osaka, are stretched to the limit.

A second runway at Narita is due for completion in March 1991, and the new Kansai International (Osaka) is due to open in March 1993. Both events are expected to spur a big increase in flight schedules and passenger traffic.

"The number of outbound passengers will probably increase by about 9 per cent in 1990 and about 12 per cent in 1991," says Mr Hill. "However, this is less than half the natural growth that should be taking place. The natural growth rate in international travel at the moment, if there were no constraints in place, would be about 25 percent." Convenience may prove to be a tougher problem to solve. The Narita airport, in particular, is a logistics disaster and a major impediment to overseas tourism. Tokyo's clogged freeway system makes getting to Narita and out of Japan into a full-day affair, and a bus journey from a city terminal is at least 75 minutes. The freeway to Narita has become even more congested by the opening of the huge Makuhari Messe exposition centre alongside the Tokyo bay freeway. Even the last kilometre to the airport



Flying too high: the two big international carriers have been attacked for soaring profits

can be hopelessly congested because of crowding around the terminal area. High prices of tickets, now a trade issue with the US, is apparently not a great deterrent to air travel.

"The price elasticity in the Japanese market is not so strong," says Mr Hill. "People will pay what is necessary to travel overseas and a big cost reduction will not in itself induce overseas travel so dramatically. However, the Japanese market does suffer from strong time elasticity. Japanese tourists have little time to waste. The time taken in getting in and out of Narita is a major structural impediment to travel.

"While it takes longer to get from your home in Tokyo to Narita, than it does from Narita to your hotel room in Hong

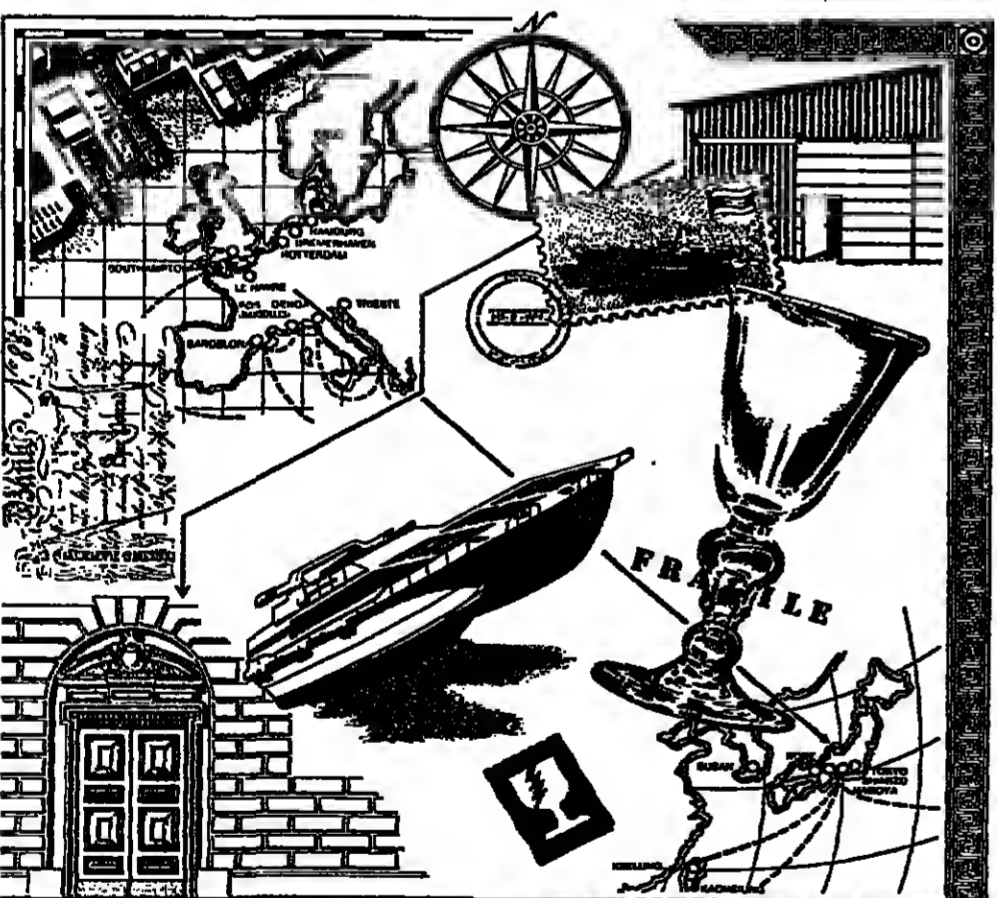
Kong, there is going to be a very strong time elasticity problem," he says.

Although revenues are running strong, neither JAL nor ANA are sitting back and letting the business take care of itself. Both have recognised that, after the Narita extension in 1991 and the Kansai opening in 1993, there will be substantial capacity increases, from domestic and foreign carriers, providing the first excess capacity in the Japanese market for four years. Both airlines are preparing for the changed conditions and are engaged in big fleet increases, coupled with huge investments in computer reservation systems (CRS) and hotels and resorts. JAL has spent Yen 100bn on its Access CRS system; ANA is believed to have

invested a similar amount in its "Able" system.

However, the computer system investment pales in comparison to the hundreds of billions of Yen the airlines are ploughing into hotels and resorts around the world. Both companies are shooting for synergy profits: they calculate that it is easy to convince people who fly ANA or JAL to buy a package tour that includes an ANA or JAL hotel, and so are able to increase the return from each passenger. The hotel operations of both companies are reportedly still in the red because of the massive build-up in new hotels, and it may be some years before the wisdom of the airline-hotel synergy theory is proved.

Rex Brown



NOTHING IS TOO FAR-FETCHED.

From the fish to James Bond's catamaran. From Mexico to high seas, Mitsui OSK Lines (MOL) handle all manner of cargo with the care and efficiency you'd expect from the leading international shipping company.

Our sophisticated container service, with expanding use of intermodal transport and computerized tracking worldwide, anticipates rather than reacts to changing markets.

Our door-to-door service getting goods where and when they're wanted is tailor-made for "just in time" manufacturing. Our distribution service has centres in every major port.

So whenever you're transporting and whenever it's going, you know the best move to make. Call Mitsui OSK Lines or Escombe Lambert Ltd.

Mitsui OSK Lines
Head Office: Tokyo, Japan

London Branch: Escombe House, Royal Mint Court, London EC3N 4JR. Telephone: 01-488 2419 Facsimile: 01-488 3153
U.K. & Republic of Ireland General Agent: Escombe Lambert Ltd. Valentines House, 51-63 Wood Hill, Wood, Essex IG1 2DR Telephone: 01-478 6969

Saitama Bank.
A sound banking system matched to new banking needs.

Trade financing? Syndicated loans? International securities? In these and other areas of international banking Saitama Bank has established its capability and credibility worldwide. For over 40 years we've built our solid base and sound banking system in the Tokyo metropolitan area, Japan's vigorous economic centre.

Saitama Bank is fast-growing and forward-looking. Change-oriented. Positive. And assertive — as seen in our electronic banking technology. Grow together with Saitama Bank — sound, experienced and flexible in matching its services to new banking needs.

The Japanese bank that helps you grow
SAITAMA BANK
Head Office: Tokyo, Japan

London Branch: Escombe House, Royal Mint Court, London EC3N 4JR. Telephone: 01-488 2419 Facsimile: 01-488 3153
U.K. & Republic of Ireland General Agent: Escombe Lambert Ltd. Valentines House, 51-63 Wood Hill, Wood, Essex IG1 2DR Telephone: 01-478 6969

JAPANESE INDUSTRY 7

Caroline Southey looks at the effects of liquor tax changes

The battle of the bottled spirits

IT HAS been a watershed year for spirit brands in Japan. These competitors, opened up by changes to the tax system in April, have resulted in a dramatic realignment in the market as foreign companies have sought to take advantage and domestic groups have attempted to hold on to their market share.

The tax changes, the conclusion of an 18-year campaign by the UK and other foreign governments, meant that for the first time, Scotch whiskies and other imports, competed on equal terms with Japanese brands.

The excitement sparked off by these changes is understandable considering the size of the existing market as well as its untapped potential.

The Japanese whisky market stands at 20m cases a year. It is the third largest export market for Scotch, after the US and France, although Scotch accounts for only 9 per cent of Japanese whisky consumption. Some analysts predict that the value of exports of Scotch whisky to Japan could outstrip those to the US by the end of 1990. On an annualised basis, Japan is now worth up to 75 per cent of the value of exports to the US.

The market remains ripe for expansion. A Health Ministry

survey found that 90 per cent of Japanese men and 45 per cent of women consume alcohol (this is thought to be much higher among women under 35) while 78.6 per cent of the total population believe drinking alcohol is a "pleasant" part of life.

Furthermore, per capita consumption, at just over six litres is relatively low. Japan ranks 27th in the international league. It has, however, been rising steadily, at an average of 1.8 per cent a year since the 1960s, while the consumption of spirits has doubled since the early 1970s.

The tax changes on alcohol, introduced in April this year, made three changes in the regime for whisky and brandy. Differential tax rates for each grade was abolished. Imported whisky and cognac came, by definition, into the top category, Special Grade, along with premium domestic brands: first grade comprised mid-priced domestic brands

while second grade was a large segment of price-competitive brands. Tax levels were unified into a single tax, set at ¥2,458 per litre of alcohol. This meant the tax on the special grade was halved, cut slightly on the first grade and that on second grade raised by over 200 per cent to the new flat rate.

The old ad-valorem tax on high-priced brands was abolished. This came on top of other taxes and was structured in a way that favoured domestic brands, penalising premium imports. These changes have been felt across the liquor industry, but most acutely by the two giants of the industry - the UK's United Distillers (part of Guinness) and Japan's Suntory which holds more than two thirds of the market.

United Distillers, which revamped its distributing and marketing arms earlier this year, reports that its key brands have performed even more strongly since the tax changes. Mr Chris Woolston, marketing director, is quick to point however, that the group's key brands - Old Parr, Swing, I.W. Harper, Johnnie Walker Red and Black Labels and White Horse - were in a healthy position prior to the tax changes.

"The setting up of a United Distillers operation to manage our interest in Japan and an increased emphasis on brand marketing have been key contributors to our success," he says.

United Distillers says the shake-out has been felt on domestic brands particularly.

'Consumers are more image oriented. We expect the trend towards better quality whiskies to continue'

"As expected, the old domestic second grade brands have suffered dramatically since the tax changes. We expect that in total sales of domestic brands will index significantly down by the end of the year."

Suntory's prognosis is that imported whisky, which held 10 per cent of the market share in 1988, will double this to 20 per cent this year. Sales of imported whiskies have increased by 40 per cent this year.

The company - which formed a shareholding and marketing alliance with Allied Lyons of the UK last autumn and recently took a 19 per cent stake in the Bordeaux wine

interests of the French GMF insurance group - said whisky and wine accounted for 80 per cent of total sales, beer 20 per cent, food and non-alcoholic beverages the rest.

The experience of United Distillers, confirmed by Suntory, is that expensive domestic brands are performing well but, as in the imported sector, only a small number of the highest quality and best supported brands continue to perform well.

"Consumers are more image oriented. People want a more luxurious lifestyle and they buy products to match that image. We expect the trend towards better quality, high priced whiskies to continue," says Mr Kazuaki Yoshizawa, manager of Suntory's public relations department.

"After the tax reform the general trend of customers favouring high-class goods has accelerated the buying of liquors. High quality and brand-image of each product has become more important," said Mr Yoshizawa.

Suntory says the prices of its superior brands have returned to the level of 10 years ago, and that the market is expanding strongly with a 40 per cent increase in sales since April. However, its first grade whiskies have shown less growth



A cooper at Nikka Whiskey's Yoichi distillery on the northern island of Hokkaido.

than last year, while its second grade has suffered stagnant sales because of the drastic price hike.

For both groups, changes in the market profile has led to a closer scrutiny of brands. Mr Woolston says that United Distillers has reduced its brand spread from 126 to 30, and is concentrating on marketing just six of these. He says the group has no plans to rationalise its brands any further.

He adds: "Most of the new products launched by the domestic to fill the price point gaps left when brands moved down after the tax change have struggled despite heavy support."

Suntory is cautious about the changes it has made to accommodate the tax changes, but admits that it has upgraded its Reserve and Old brands - "in contents and bottle design." It has also introduced new products such as Hibiki, in the high price range and a new 12-year old, Great.

The balance sheets of both groups tell the tale quite eloquently. Buoyant sales of spirits in the Far East boosted Guinness's profits - pre-tax profits were up 24 per cent to £285m in the half-year to June 30. Mr Anthony Tennant, Guinness's chairman, said when the results were announced: "United Distillers, our spirits

company, has continued to improve its performance. Our business in Japan is developing well as a result of setting up our own distribution organisation."

In August Suntory, still a privately-owned company, reported that it had managed to maintain the growth of its whisky sales this year despite the tax changes. It said its distilled liquor and wine sales rose 6.4 per cent in volume terms in the first half of this year, but only 0.1 per cent in price terms because of price cuts on many brands. Its pre-tax profits reached ¥11.7 bn on sales of ¥354.1bn in the first half. Net profit was ¥2.4bn.

BEER INDUSTRY

A taste for new products



Bottled up: Sapporo Breweries' production line

THE STABLE Japanese beer market, in which brewers look for granted that drinkers had conservative taste, has been transformed into a fast-paced competition with rival companies releasing a batch of new recipes and backing products with marketing mania.

Until recently, the four major Japanese brewers had been locked into virtually unchanging market shares, with Kirin and Sapporo on top, and Asahi and Suntory at the bottom. But Asahi changed the old order with a campaign based on a new product, dry beer - the dryness comes from longer fermentation.

"The Japanese are now becoming aware that different kinds of beer are better for different times, places and occasions," says Mr Shigeyuki Suzuki, a liquor buyer for Tokyo's huge Isetan department store.

Consumers, the marketing men say and sales move, now prefer beer with flavour and strength yet with a cleaner, crisper taste. Before the Second World War, the tendency was to drink beer which had a bitter and heavy taste.

Asahi Breweries launched Asahi Dry in March 1988, and then, a year later, Asahi Super Dry, which pushed Asahi's sales up by 87 per cent. The competition fought back with dry beers of their own, as well as new taste concepts such as Asahi's "i-100" beer, which is fermented again in the bottle, and the extra heavy Winter Story, sold only in the winter.

In 1988, Kirin's market share dropped below 80 per cent for the first time in 25 years, while, in 1989, Asahi's sales increased by 73 per cent, accounting for most of the 7.7 per cent increase for the industry. In the first six months of 1989, Asahi's sales rose 36 per cent against a 6.3 per cent increase for the industry.

Asahi's sales growth prospects remain strong compared to those of Kirin, whose August 9 announcement that its beer sales are expected to increase a modest 3 per cent this year means its share of the beer market is in danger of falling below 50 per cent.

Evidence is mounting that the sales boom of dry beer has peaked. "I predict the fever will be terminated," says Mr Koyu Maezawa, general manager of the Sapporo publication relations department.

"Already, there is evidence that sales have peaked in the major cities this summer. The focus is now on local cities,

where sales have been rising, but this will be over by next year."

Recent statistics bear this out. Beer sales were sluggish during the summer. Only Asahi Breweries Superdry Beer enjoyed robust demand while Kirin, Sapporo and Suntory have each seen double-digit declines in sales for the first half of July on a year-on-year basis.

Asahi's strong performance is still being driven by Super Dry, especially in regional Japan. In the southern island of Kyushu, for example, Asahi saw an 85 per cent increase in beer sales last summer. But Asahi is expecting its sales to flatten out. Last October it predicted its 1989 beer sales would rise by 35 per cent, but the number was revised downward to 29 per cent in February and to 25 per cent in August.

"I think we will see a return to traditional brands by the breweries. Sapporo will concentrate on draught, Asahi on dry and Kirin on lager," says Mr Maezawa.

Kirin has recently adopted the slogan "I'll stick to lager beer", hoping to recapture its lost market share. The company has also changed the name of its leading brand "Kirin Beer" to "Kirin Lager", and launched four new brands.

These new strategies are beginning to show results in Tokyo's Suginami Ward, the origin of the 1988 Dry Beer incursion and long a key beer test market because of its large university student and young white collar populations. Kirin beer sales at five Suginami distributors have been on the upswing since February, according to a company survey. Asahi's President Hiroto Hironaka concedes the company's lower forecasts for 1989 are due mostly to buoyant sales of Kirin's lager beer.

The shift in drinking patterns is just one of many consumer fads that have hit Japan recently. A survey of the market share of 100 products and services in 1988 by Nihon Keizai Shimbun shows that market leadership changed hands in five product segments: mainframe computers, single-lens reflex cameras, low density polyethylene, wine and publishing.

A total of 31 leading companies lost market share, and more than a year earlier, and the trend is signalling manufacturers' worries that overheated competition could bring about radical price reductions.

Caroline Southey

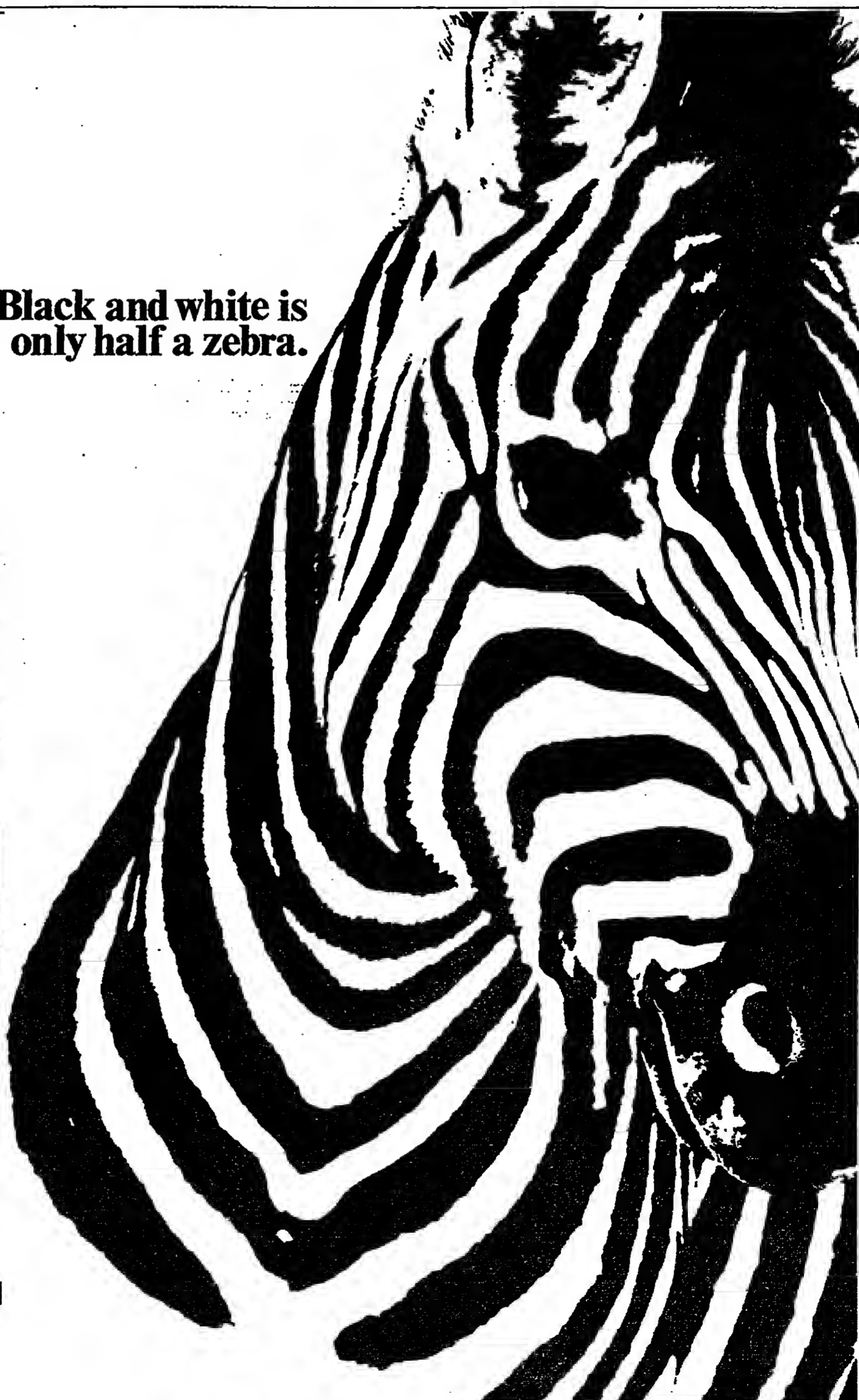
Black and white is only half a zebra.

Real zebras, like most things in life, aren't just black and white. Even the whitest stripe contains a few grey hairs. Reality is, after all, mostly shades of grey. That's why Hitachi's late-model faxes feature a 16-step grey scale to clearly transmit even subtle shades. This capability results from a proprietary 0.125 mm dot scanning pattern and an image-processing LSI. Meticulous integration of these two technologies assures exceptional accuracy of tones over a range so wide that you can even judge the quality of a photograph.



Whatever the product, from faxes and image processing equipment to home appliances and super computers, Hitachi has the same philosophy. This philosophy goes beyond incorporating in-house developed technologies. Each feature, major and minor, each device, on a macro and micro level, is designed with every other feature in mind. The result is in-depth technological integration, guaranteeing the special quality which is the hallmark of Hitachi.

HITACHI
Hitachi Europe Ltd.
Trafalgar House
Hammersmith International Centre
2 Chiswick Road
Hammersmith, London W6 8DW
Phone: (01) 748-2001
Fax: (01) 741-5365



JAPANESE INDUSTRY 9

Nick Garnett investigates the toy industry

Offshore production

THE toy industry is one that Japan has been unable to maintain as an integrated producer on Japanese soil.

Fifteen years ago, the country's toy makers exported 60 per cent of output and there were virtually no imports. Now 45 per cent of the ¥430bn domestic toy market (excluding game playing computers) is supplied by imports and most of Japan's toy companies have substantial production plants outside Japan, mainly in other parts of the Far East.

This has been a long process which was given an extra impetus by the revaluation of the yen in the mid-1980s. More plants went offshore. Tomy, a company with annual sales of ¥40bn, sold its operations in the US.

The process is continuing. Imports will rise further next year, according to the Japan International Toy Fair Association. Tamiya, an important producer of radio-controlled cars and plastic kits which has had a determined policy of maintaining production in Japan from its base at Shinzuka, west of Tokyo, is now thinking of establishing a plant in Thailand.

However, Japanese toy companies together rank second only to US toy companies (mainly using Far Eastern plants) in total sales. Some of their products are market leaders in diverse markets around the world. There is still a significant production base at "Toytown", the collection of subcontractors at Utsunomiya City, north of Tokyo. And the industry itself is going through

an amazing array of changes. One of these has been the astonishing rise of Nintendo, now easily the biggest in Japan's toy industry though it does its best to deny it is a toy maker.

This former card maker and supplier of arcade machines (Japan is the world's biggest supplier of such machines) shot into phenomenal growth when it introduced its Family Computer in 1983.

A games-playing machine, it is also now used in companies and on the Tokyo Stock Exchange. According to Miss Atsuko Tsubomi, publisher of the Japan Toy and Hobby market report, Nintendo has sold 11m Family Computers in Japan.

Company sales increased 26 per cent this year, it is now making machines in the US, and is looking to sell this equipment in the UK. Though not a toy in the strictest definition, 90 per cent of the machines are bought by young people.

Another trend is the emergence of Japanese electronics companies into children's products, a move which has caught the eye of the analysts and the stock market at the expense of long-standing toy makers.

This change has been led by Sony with some 11 products in its My First Sony range chunky, cute-looking music equipment for children. Matsushita moved into the toy market for the first time this year with educational toys like "pasokiki", a kind of telephone on which a child can be helped to learn English. NEC

entered the difficult TV video game market two years ago.

At the same time, the main steel companies have declared their intention of moving into toys as part of their diversification programmes. Kawasaki has been looking to get into the market for puzzles. Nippon Steel produced an expensive metal toy train two years ago though that has so far not been released into the market. Kawai, a piano maker, has recently started producing wooden toys.

As a response to this, and as a consequence of demographic changes which mean the average age of Japanese children is rising, traditional toy makers have been edging into other products.

Mr Mike Hayakawa ("I'm Mike, you're Nick, right?"), general manager of the overseas division of Bandai, one of the biggest toy makers with sales of ¥78bn last year, says the company has been moving into fashion goods such as clothes and stationery, to add further to its partial diversification into music products, video and cartoons. Like Epoch, another toy maker, it has been selling a lot of hand-held games. Mr Hayakawa says 45 per cent of Bandai sales now come from non-toy products.

Nevertheless, so-called character toys, usually taken from



Quality control (above) at a factory in Toytown, a collection of sub-contractors at Utsunomiya City, north of Tokyo. High-flyer (right): Japanese children at play



Mr Mike Hayakawa ("I'm Mike, you're Nick, right?"), general manager of the overseas division of Bandai, one of the biggest toy makers with sales of ¥78bn last year, says the company has been moving into fashion goods such as clothes and stationery, to add further to its partial diversification into music products, video and cartoons. Like Epoch, another toy maker, it has been selling a lot of hand-held games. Mr Hayakawa says 45 per cent of Bandai sales now come from non-toy products.

given a new lease of life this year with its Flower Rock, a pretty hideous looking collection of plastic flowers which move to sound vibrations. One of the biggest issues facing the industry is its distribution network. "This is so complicated no-one understands it," says Miss Tsubomi. The system has been under attack for some time from toy chain stores like Hello Mac, which decided, in effect, to buy direct from manufacturers by purchasing its own wholesale business. The established system of

getting toys to the customer is going to face an even bigger challenge very soon. Toys R US, the huge US toy store chain, has announced in a joint venture with McDonald's, the hamburger company, its intention to set up a large number of stores, starting in 1991. Rumours are rife that the company could build up to 200 stores and it has made it clear that it will only buy toys direct from the manufacturer. "How this is going to work out in practice is anybody's guess right now," says Mr Hayakawa.

Mr Mike Hayakawa ("I'm Mike, you're Nick, right?"), general manager of the overseas division of Bandai, one of the biggest toy makers with sales of ¥78bn last year, says the company has been moving into fashion goods such as clothes and stationery, to add further to its partial diversification into music products, video and cartoons. Like Epoch, another toy maker, it has been selling a lot of hand-held games. Mr Hayakawa says 45 per cent of Bandai sales now come from non-toy products.

Nevertheless, so-called character toys, usually taken from

given a new lease of life this year with its Flower Rock, a pretty hideous looking collection of plastic flowers which move to sound vibrations.

One of the biggest issues facing the industry is its distribution network. "This is so complicated no-one understands it," says Miss Tsubomi.

The system has been under attack for some time from toy chain stores like Hello Mac, which decided, in effect, to buy direct from manufacturers by purchasing its own wholesale business. The established system of



Were ANA.

The ninth largest airline in the world, with over 30 years' experience, and it could be you've never heard of us.

Last year alone, however, 27 million passengers thought highly enough of our service to fly ANA.

Many of them travelled in the comfort of our new 747s, arriving relaxed and ready for business at the growing number of destinations we serve worldwide.

Including, now, the UK. With four flights weekly between London and Tokyo, three of them non-stop.

A better way for you to travel to Asia.

And within Japan, ANA can also connect you to 30 cities with 500 flights daily.

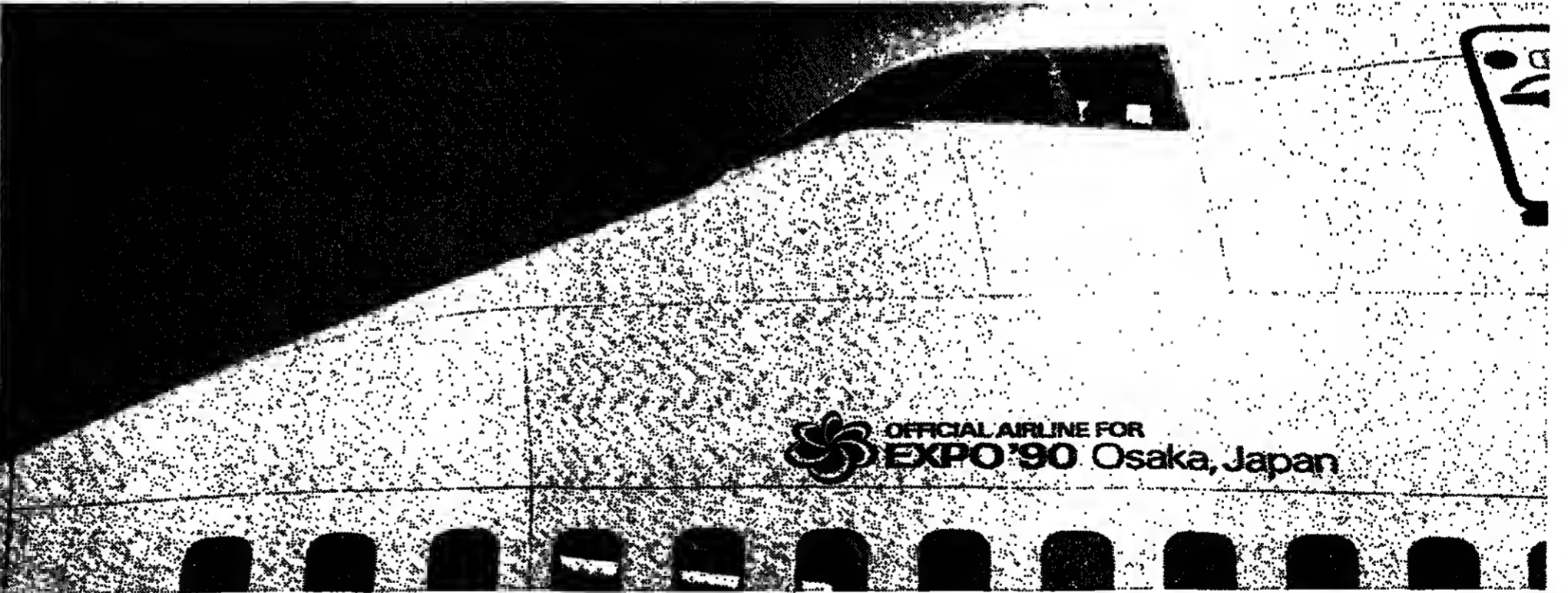
We can even provide accommodation through our international network of luxury hotels.

ANA is, we know, a new name in the UK.

Try getting to know us.

We'll go a long way to serve you.

It's taken us millions of kilometres to get here.



ANA LONDON (LW) - TOKYO (NRT) TIMETABLE			
LONDON (NRT)	NR202 18:05		(TUE.) 16:45 TOKYO
LONDON (NRT)	NR204 13:30	(WED.) 19:55 MOSCOW (NRT)	21:45 (THUR.) 12:20 TOKYO
LONDON (THUR)	NR202 17:30		(FRI.) 19:50 TOKYO
LONDON (SAT)	NR202 17:30		(SUN.) 13:50 TOKYO
ANA TOKYO (NRT) - LONDON (LW) TIMETABLE			
TOKYO (NRT)	NR203 18:45	(MON.) 14:55 MOSCOW (NRT)	16:15 (TUE.) 16:55 LONDON
TOKYO (TUE.)	NR201 11:20		(TUE.) 16:10 LONDON
TOKYO (THUR)	NR201 11:20		(THUR.) 16:10 LONDON
TOKYO (SAT)	NR201 11:20		(SAT.) 16:10 LONDON

• Aircraft Boeing 747-LR. • Times shown are local times. • All schedules are subject to change without notice.

FOR RESERVATIONS OR MORE INFORMATION, CONTACT: ALL NIPPON AIRWAYS, ANA HOUSE, 6-8 OLD BOND STREET, LONDON W1X 3TA. TELEPHONE: 01-495 7667, OR YOUR TRAVEL AGENT.



Kanbaro Tomiyama: the man who really runs Tomy

PROFILE: TOMY

Toytown's top ranker

TOMY, the toy maker, nestles off a small road in the heavily built-up district of Katsushika, east of Tokyo's centre. Hemmed in by houses, the neighbourhood temple and a mahjong club its two modern office blocks look rather out of place.

In the car park sits a black Toyota Century with dark tinted windows and curtains, the archetypal behemoth used by Japanese business officials, including Mr Masanari Tomiyama, the elderly son of Tomy's founder.

Parked alongside is a silver Porsche 944, the proud possession of Mr Kanbaro Tomiyama, the 35-year-old president, grandson of the founder and the man who really runs Tomy. The Porsche says something about changing habits in Japan. It also says something for the showbiz, shoot-from-the-hip style of the toy industry's principal figures.

Tomy was the brainchild of Rikichiro Tomiyama, who started making tin toys back in 1924. Like most Japanese toy companies, growth since then has been snail's pace compared with the shooting stars of the car and electronics industry, and littered with difficulties.

But Tomy, with yearly sales of about ¥40bn, is one of Japan's biggest toy companies in an industry that ranks second only to the US in terms of total sales. The revaluation of the yen in the mid 1980s hurt Tomy like everyone else in the industry. The company set up an office in Hong Kong as early as 1976 and a production facility in Singapore in 1972. But currency shifts in 1985-6 forced it to give up its operations in the US - selling it to Coleco in 1986 for \$62m - and to produce even more offshore, culminating in the setting up of a plant in Thailand last year. The sale of the US operation

was followed by a piece of bad luck. It made a marketing arrangement with Coleco but the demise of that company as a result of the burning out of the Cabbage Patch craze forced Tomy into again setting up an operation in North America, but much smaller than before. Just 45 per cent of production is now carried out in Japan, mainly at Utsunomiya City, the Toytown north of Tokyo that harbours a web of toy makers and their suppliers and subcontractors.

Tomy employs 100 people in direct manufacturing in Japan, indicating the large volumes of components it buys in from suppliers. It has separate subcontractors for injection moulding, plastic parts, motors and labelling. Some contractors, which also work for other toy makers, employ up to 200 but some have workforces of 40 or fewer.

Tomy's catalogue is packed with thousands of different toys. Its main products, apart from character toys, include model racing cars and plastic trains (which it has made for 31 years). It also took the Silvanian Family figures from Epoch, another Japanese toy maker which has been producing them, and used that marketing arrangement to become a major toy seller in the UK. Tomy claims to be the second largest toy supplier in the British market.

Because the average age of Japanese children is rising, Tomy is trying to extend promotion of products catering for the older child. This includes animation and video products and its range of metal trains.

Like many toy makers, though, it is very wary of the strength of the electronics companies which have begun exploiting the market for children and teenagers.

Nick Garnett

JAPANESE INDUSTRY 10

TRADITIONAL INDUSTRIES

Fight to protect a rich culture

TIMES are hard for Japan's traditional craft industries. The revolutionary "Just In Time" production systems have turned the younger generations into consumers of factory goods rather than painstakingly hand-crafted kimonos and lacquerware.

With shops overflowing with cheap (by comparison) everyday products which come off production lines, and the continued westernisation of Japanese life styles, traditional crafts are facing an increasingly hostile environment.

This is surprising given that Japan enjoys a much higher level of culture consciousness than almost all other industrially developed nations. Japanese still pursue traditional pastimes such as calligraphy and flower arranging.

But the older generation are disturbed by the changes taking place. Professor Yoshida Mitsukuni, retired historian from Kyoto University, points out: "Some young people consider our traditional art and crafts 'alien'. They don't understand the historical continuity. Our lives are quite westernised now and many of the objects are no longer used as part of daily life. In Kyoto, which is renowned for its chinaware, we sell more Rosenthal china than we do locally made porcelain."

A survey by the prime minister's office found that while 85 per cent of those questioned thought that Japan was scientifically and technologically advanced, only 55 per cent felt the country had a rich culture.

Undaunted, the industry's artisans and their representatives are adopting methods of modern society to keep alive cultural traditions that are centuries old. "When we create a new craft we must always create on the basis of whether the consumer is going to welcome what we have created or not," says Kenji Ekanan, a leading industrial designer.

For Japanese crafts to appeal to more people it may also be necessary for them to change with the times. For example, the microwave oven has become an indispensable appliance in the lives of many people. But it is not possible to put lacquerware bowls or anything decorated with gold leaf

into a microwave. So it may be necessary to adapt to a modern lifestyle," advises Ms Kazuko Watanabe, research director for Isetan Department Store.

The products most affected by changes in lifestyle are kimonos and sashes (obi), lacquerware (shikki), chinaware and fabrics.

Prof Mitenkuni says it is difficult to quantify the extent to which the industries are shrinking because statistics are not readily available.

But the experience of Mr Adachi Masakazu, a kimono artisan in Tokyo, partly illustrates the problem. The artisan guild to which Mr Masakazu belongs has dropped from 307 people 10 years ago to 108 while the average number of workers employed by the artisans has dropped from 5.5 in 1979 to 2.3.

To produce one kimono, using the yuzen-zome (dye) method, involves 17 different processes, all of which are completed by hand. Last year Mr Adachi received orders for 1,600 kimonos which he sells for ¥1m or more in price.

Fewer and fewer kimonos are being sold. They are now worn mainly for ceremonial occasions, particularly for weddings. The exorbitant costs have placed them out of the reach of most young brides and "Western" style white weddings are fashionable.

"Kimono producers are suffering the worst of all the traditional industries," says Mr Shunichi Kanasaki, managing director of the Japan Traditional Craft Centre. "Men don't wear them anymore and women were them only for special ceremonies. Women are less inclined to wear them as everyday clothing because they are no longer practical." He adds: "It is difficult to drive a car in a kimono."

The country's increased labour shortage and rise in labour costs is felt no more acutely than in the traditional industries. It takes 10 years to qualify as a kimono artisan and 60 per cent of those who complete their apprenticeships leave the workshops in which they have been trained.

The protection of the industry and its promotion lies primarily in the hands of the gov-



The Dance Spectacles and Drama by the Kamogawa Odori Geisha of Ponto-cho (above) in Kyoto provides a beautiful display of traditional dancing. Ritual music accompanies the all-woman cast through a narrative drama. After the interval, the women celebrate the seasons in five scenes. Each is set to a backdrop depicting the seasons — among them cherry blossoms in spring, bamboo branches in the summer. "Autumn tints in Sunset", the grand finale, is a breathtaking display of scarlet-tinged leaves glistening in the evening sun.

ernment. It first took an active interest in 1974 when the Promotion of Traditional Craft Industries law was passed.

A year later the Japan Traditional Craft Centre was established. Housed in Galenmai in Tokyo, the centre promotes traditional crafts at the grassroots level acting under the guidance of national and regional authorities.

The 1974 act is implemented by the Ministry of Trade and Industry (MITI) and allows for the registration of certain industries.

To be eligible to register with MITI, industries must produce articles which fulfil these criteria:

- The item must be a craft article used in everyday life and manufactured primarily by hand;
- Principle techniques should date back to the Edo period (i.e. be of pre-1988 origin);
- Materials should be those traditionally employed;
- Industries must be regionally based, involving either 10 enterprises or 30 craftsmen concentrated in the same region.

The latest comprehensive survey of the industries, completed in 1986, shows that the

Holidaymakers prefer the archipelago, reports Caroline Southey

Tourists opt to stay at home

JAPANESE tourist habits might well date back to 1638 when the policy of *sakoku*, the ban on contact with the outside world was introduced. Today's Japanese still look to domestic destinations for their holiday breaks rather than abroad.

The Japan Travel Bureau (JTB) has forecast that 315m Japanese will make trips across the archipelago this year, an average 2.65 trips for each individual. Although these are mainly day-trips, holidaymakers are expected to spend ¥14.6 trillion this year, a rise of 5.3 per cent on the previous year.

Most of these jaunts take place on the 12 annual national holidays or celebrations.

For example, the JTB found that in the Golden Week (April 27 to May 7), 17.7m or 14.7 per cent of the population would travel, spending a total of ¥908m. Of these only 365,000 people were expected to go abroad.

The biggest attractions seemed to be exhibitions in Yokohama and Fukuoka followed by Hokkaido, Tohoku, Setonchi and Kyushu regions.

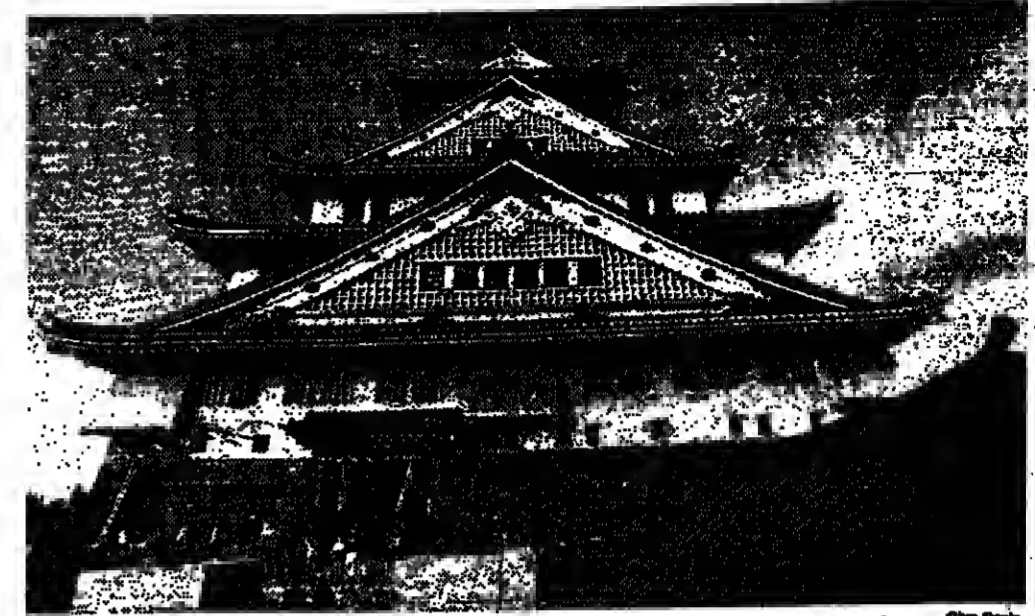
Japan's holiday migrations, as elsewhere, are strongly influenced by seasonal factors.

But for the Japanese, a variety of seasons are on offer all year round. The climate is generally temperate, but there is a wide variation between the extreme north and south.

Autumn and spring hold particular tourist attractions. In spring, special *hanami* or cherry blossom viewing parties are organised to follow the cherry blossom front, *sakura zensen*, as it begins its life in the south and moves steadily northwards. The blossoms are only at their best for a couple of days, so planning has to be precise.

During the summer season (July and August) summer resorts, beaches, hometown visits and sightseeing drew people away from their homes, the greatest number (one third of the 67m) going away on three-day trips.

A visit to Kyoto in wintery early November illustrated the preponderance of Japanese tourists. During a day's visit to the Heian Shrine, and Nijo Castle (two of Kyoto's prime tourist attractions) the number of *gaijin* (foreigners or, liter-



Osaka Castle: popular domestic attraction for Japanese tourists

ally, "outside people") could be counted on one hand. The castle usually receives between 500,000 and 600,000 visitors over a holiday weekend.

Visitors to the shrine fell into two categories — the older generation who were there to sightsee and pray, and young parents accompanying children dressed in either Sunday best,

Holiday migrations, as elsewhere, are strongly influenced by seasonal factors. But for the Japanese, a variety of seasons are on offer all year round. The climate is generally temperate, but there is a wide variation between the extreme north and south

western style, or in kimonos. The families were there to celebrate, *shichi-go-san*, (seven, three, five), when girls aged three and seven and boys aged five are taken to the local shrine to give thanks for having reached these ages and to pray for future health and happiness.

The shrinking of the Japanese working week is one of the reasons for the upsurge of domestic travel. The five-day working week was first introduced in 1973, although recent statistics show that about 50

per cent of industries observe it today, most companies allow employees a five-day working week only twice a month and only 6 per cent have adopted it every week. Most Japanese employees work an official 40 to 41-hour week, compared with 37 hours (down from 39) in many European factories. Extended holidays are also a

tired to spend their holidays doing more than sleeping, eating and watching television." Those with enough energy, however, are, in increasing numbers, also travelling abroad — in 1988 there were 348,000 who left Japan for business or pleasure, rising to 8.5m in 1989. This year the JTB expects an 11 per cent increase with a total outlay of ¥3.5 trillion (a 9.8 per cent increase on 1988).

Overwhelmingly, young married couples choose to spend their honeymoons abroad. Of the 230,000 couples who planned to get married in the spring (out of 700,000 weddings throughout the year), 93.2 per cent planned to spend their first nights together on foreign soil — preferably European (22 per cent) or Australian (16 per cent).

These honeymooners expected to spend 8 days on their overseas trips, or five if they were not going abroad. Each couple was expected to pay an average of ¥147,000 if they were travelling abroad or ¥275,000 for a domestic holiday.

As one travel agent quipped: "If you are upper class in Japan you spend your holidays here because you can afford it. If you are middle class you go abroad because it is cheaper."

Caroline Southey

HOKURIKU

Having a long-established, influential presence with a spirit of challenge and innovation

The Hokuriku Bank is one of the oldest banks in Hokkaido. Its history dates back to 1899 (Meiji 32). Since then we have continued to render financial support in a close economic relationship between Hokkaido and the Japan Sea coastal region. Sailing ships in the above picture, called the *Kitamae-bune*, "Northbound Ship", are trade ships linking these two regions. These trade ships were used from the 17th century to the turn of the 20th century, engaged in transporting not only abundant products but also valuable information.

The picture of these ships symbolises the pioneer spirit of our bank. Today, our bank keeps alive this spirit of challenge and innovation, as manifested by the broad scope of our banking activities.

THE HOKURIKU BANK, LTD.

Head Office: 2-26, Tsutsumicho-dori 1-chome, Toyama, Japan Phone (0764) 23-7111
 Foreign Department: 2-10, Nihonbashi Muromachi 3-chome, Chuo-ku, Tokyo, Japan Phone (03) 241-7771 Telex 23904, 26660, 28849, SWII RIKBJPJT
 New York Branch: Phone 212-524-9771 Telex RCA233763, WU1861390
 London Representative Office: Phone 01-629-7898 Telex 894095
 Hong Kong Branch: Phone 5-810191 Telex 65810 RIKGK HX
 Hokuriku Finance (H.K.) Limited: Phone 5-810191 Telex 81770 RIKBH HX
 Frankfurt Representative Office: Open December 1, 1989

Access Japan

For the inside story on Japanese business, one source stands above the rest. The source *most* Japanese business leaders consult each and every day: NIKKEI.

NIKKEI is many things to many people. It's *The Nihon Keizai Shimbun* (Japan's leading business daily) and specialized papers in marketing, finance and industry. It's realtime, online databases (in both English and Japanese). It's the NIKKEI Average, a daily price index of the top stocks on the Tokyo exchange. And it's *The Japan Economic Journal*, a weekly English-language newspaper that focuses on Japanese business. Plus much, much more.

NIKKEI. It's the business information network that offers direct access to world-class profits for years to come.

NIKKEI

NIKKEI Editorial Department, Inc. 1-9-5 Otemachi, Chiyoda-ku, Tokyo 100-05, Japan Tel: (81) 337-2321 Telex: 33230 NIKKJ
 Nikkei Editorial Services Ltd. London Office: 25th Floor, North West Wing, Abchurch Lane, EC4N 3DF, U.K. Tel: (01) 573-4594
 Nikkei Editorial Services Inc. New York Office: 33rd Floor, 1221 Avenue of the Americas, New York, NY 10020 U.S.A. Tel: (212) 512-3000
 Los Angeles Office: 725 South Figueroa Street, Suite 1505, Los Angeles, CA 90071 U.S.A. Tel: (310) 557-1670

For further information on Nikkei, just fill out this coupon and mail.

Planning & Research Dept., Nihon Keizai Shimbun, Inc. 1-9-5 Otemachi, Chiyoda-ku, Tokyo 100-05, Japan

Your Name _____ Company _____ Position _____
 Address _____ City _____ State _____ Zip Code _____